



NOTICE OF MEETING

and

MANAGEMENT INFORMATION CIRCULAR

in respect of the

ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

to be held on Friday, May 15, 2020

Dated as of April 16, 2020

NAIKUN WIND ENERGY GROUP INC.

Suite 570, 355 Burrard Street
Vancouver, BC V6C 2G8
Tel: 604 639-8460 / Fax: 604 685-4215

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING

NOTICE IS HEREBY GIVEN that the annual general and special meeting (the “**Meeting**”) of the holders of common shares (the “**Shareholders**”) of NaiKun Wind Energy Group Inc. (the “**Corporation**”) will be held on Friday, May 15, 2020 at the Hastings Room, Mezzanine Level, 1066 West Hastings Street (enter off Pender Street), Vancouver, British Columbia at 10:00 a.m. (Pacific Time) for the following purposes:

1. To receive the audited consolidated financial statements of the Corporation together with the auditor’s report thereon for the fiscal years ended September 30, 2018 and September 30, 2019.
2. To elect directors to hold office for the ensuing year.
3. To appoint KPMG LLP, Chartered Professional Accountants, as auditors for the Corporation and its subsidiaries for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditors of the Corporation for the ensuing year.
4. To consider, and if thought appropriate, to pass an ordinary resolution to confirm and re-approve the Corporation’s “rolling 10%” stock option plan.
5. To consider, and if thought appropriate, to pass, with or without variation, a special resolution (the “**Transaction Resolution**”) to sell the NaiKun Offshore Wind Farm located in the Hecate Strait off the coast of British Columbia, Canada to Northland Power Inc., as more particularly described in the accompanying management information circular (the “**Information Circular**”). The full text of the Transaction Resolution is set forth in Schedule “C” to this Information Circular.
6. To consider, and if thought appropriate, to pass a special resolution to change of the Corporation’s name to “Oceanic Wind Energy Inc.”

The Information Circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of this notice.

The share transfer books of the Corporation will not be closed, but Thursday, March 19, 2020 is the record date for the determination of Shareholders entitled to notice of and to vote at the Meeting and at any adjournment thereof, and only Shareholders of record at the close of business on that date are entitled to such notice and to vote at such meeting.

The audited consolidated financial statements for the twelve month periods ended September 30, 2018 and September 30, 2019, with the auditor’s report thereon, and the management discussion & analysis have been mailed to Shareholders who have requested the documents. The Information Circular, form of proxy or voting information form and reply card accompany this Notice of Meeting.

A Shareholder entitled to vote and attend the Meeting is entitled to appoint a proxy to attend and vote in his or her stead. If you are unable to attend the Meeting in person, please complete, sign and date the enclosed Form of Proxy or Voting Information Form and return the same in the enclosed return envelope provided for that purpose within the time and to the location in accordance with the instructions set out in the Form of Proxy or Voting Information Form and Information Circular accompanying this notice.

Registered Shareholders have the right to dissent in respect of the Transaction Resolution and to be paid the fair value of their common shares in accordance with the provisions in Sections 237 to 247 of the *Business Corporations Act* (British Columbia). These rights are described in the accompanying Information Circular and the text of Sections 237 to 247 of the *Business Corporations Act* (British Columbia) is set forth in Schedule “D” to this Information Circular.

In light of ongoing concerns regarding the spread of COVID-19, Shareholders are encouraged to vote on the matters prior to the Meeting by completing the Form of Proxy. The Corporation may take additional precautionary measures in relation to the Meeting in response to further developments with the COVID-19 outbreak. In the event it is not possible or advisable to hold the Meeting in person, the Corporation will announce alternative arrangements for the Meeting by news release as promptly as practicable, which may include delaying the Meeting or holding the Meeting entirely by electronic means,

telephone or other communication facilities. Please check the Corporation's profile on the System for Electronic Document Analysis and Retrieval at www.sedar.com for updated information prior to the Meeting. If you are a registered Shareholder or appointed proxyholder and are planning to attend the Meeting, please notify the Corporation in advance of the Meeting at either the email address or phone number provided below:

Email: wlang@naikun.ca
Telephone: 604 639-8460

DATED at Vancouver, British Columbia, this 16th day of April, 2020.

By Order of the Board of Directors

NAIKUN WIND ENERGY GROUP INC.

(signed) "Michael O'Connor"

Michael O'Connor, President, Chief Executive Officer & Director

NAIKUN WIND ENERGY GROUP INC.

Suite 570, 355 Burrard Street
Vancouver, BC V6C 2G8
Tel: 604.639.8460 / Fax: 604.685.4215 www.NaiKun.ca

MANAGEMENT INFORMATION CIRCULAR

(as at April 16, 2020 unless otherwise noted)

GENERAL INFORMATION

This management information circular (the “**Information Circular**”) is furnished in connection with the solicitation of proxies by the management of **NAIKUN WIND ENERGY GROUP INC.** (the “**Corporation**”), for use at the annual general and special meeting (the “**Meeting**”) of its holders of common shares (the “**Shareholders**”) to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting (as defined below).

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Information Circular, and the documents incorporated by reference herein, may contain “forward-looking information” and “forward-looking statements” within the meaning of applicable Canadian securities legislation. All information contained herein that is not historical in nature may constitute forward-looking information. Often, but not always, forward-looking statements can be identified by the use of words such as “expects”, “estimates”, “intends”, “anticipates”, or “believes”, or variations of such words and phrases or states that certain actions, events or results “may”, “would”, “should”, or “will” be taken, occur or be achieved. Forward-looking statements herein include, but are not limited to statements regarding: the sale of all or substantially all of the Corporation’s assets; the completion of the Transaction (as defined below); the exercise of Dissent Rights (as defined below); the anticipated Closing Date (as defined below) of the Transaction; the Cash Consideration (as defined below); the development of the Project; the Financial Close (as defined below); the granting and exercise of the Option (as defined below) or the Future Phase Option (as defined below); the Cash Distribution; the Project becoming operational; the entering into of a Power Purchase Agreement (as defined below); and the overall success of the Project under Northland’s management.

Such forward-looking statements are based on management’s current expectations and assumptions that, while considered reasonable by management, are inherently subject to business, market and economic risks, uncertainties, and contingencies which may cause the actual results, performance, or achievements of the Corporation to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of the Corporation to complete the Transaction, satisfy the conditions under the Purchase Agreement, and satisfy the requirements of the TSX Venture Exchange; the approval of the Transaction by Shareholders; no material changes in the legislative and operating framework for the business of the Corporation or Northland, as applicable; no significant events occurring outside the ordinary course of business of the Corporation or Northland, as applicable, such as a natural disaster or other calamity; the Purchase Agreement not being terminated in accordance with its terms; the economy generally; fluctuations in input prices and market conditions; unexpected increases in materials costs; the extent of future growth and performance; the regulatory and foreign environment; delays in obtaining or failures to obtain necessary regulatory permits and approvals from government authorities; changes in government regulations and policies; future capital and other expenditures (including the amount, nature and sources of funding thereof); competitive advantages; business prospects and opportunities; transportation and construction delays; political instability; arbitrary changes in law; and anticipated and unanticipated costs. Additional risk factors can be found in the Corporation’s management discussion and analysis filed under the Corporation’s profile on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at www.sedar.com.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this Information Circular. These risk factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which is current only as of the date of this Information Circular. All subsequent forward-looking information attributable to the Corporation herein is expressly qualified in its entirety by the cautionary statements contained herein. The Corporation does not undertake any obligation to release publicly any revisions to this forward-looking information to reflect events or circumstances that occur after the date of this Information Circular or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

SOLICITATION OF PROXIES

The solicitation of proxies will be primarily by mail. The cost of solicitation by management will be borne by the Corporation. The Corporation will reimburse brokerage firms and other persons representing non-objecting and objecting beneficial owners of shares for their expenses in forwarding solicitation material to such non-objecting and objecting beneficial owners. Proxies may also be solicited by certain of the Corporation's directors and officers, without additional compensation, personally, by telephone or electronically.

APPOINTMENT AND REVOCATION OF PROXIES

The individuals named in the accompanying form of proxy (the "**Form of Proxy**") are either directors or officers of the Corporation. **A registered shareholder of the Corporation (a "Shareholder") has the right to appoint a person, who need not be a Shareholder, to attend and act for the Shareholder and on the Shareholder's behalf at the Meeting other than either of the persons designated in the accompanying Form of Proxy, and may do so either by inserting the name of that other person in the blank space provided in the accompanying Form of Proxy or by completing another suitable form of proxy.**

Registered Shareholders are requested to date, sign and return the accompanying Form of Proxy for use at the Meeting if they are not able to attend the Meeting personally. To be effective, the Forms of Proxy must be received by the Corporation's registrar and transfer agent, Computershare Investor Services Inc. ("**Computershare**"), no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting (namely, by 10:00 a.m., Vancouver time, on Wednesday, May 13, 2020) or any adjournment. Proxies delivered by regular mail should be addressed to Computershare at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1.

A Shareholder who has given a proxy may revoke it by an instrument in writing duly executed and delivered either to Computershare at 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, or to the registered office of the Corporation at Suite 570, 355 Burrard Street, Vancouver, British Columbia, V6C 2G8, at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or of any reconvening thereof, or in any other manner provided by law. A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

Furthermore, the articles of the Corporation expressly provide that the casting of a vote on the basis of a Form of Proxy will be valid notwithstanding the previous death or incompetence of the Shareholder, or the revocation of the Form of Proxy or of the authority under which it was executed, or the transfer of the shares in respect of which the vote is to be cast, provided that no notice in writing of the death, incompetence, revocation or transfer has been received at the place where Forms of Proxy are to be deposited, at any time up to and including the last business day preceding either the day of the Meeting or the day to which the Meeting may have been adjourned, or by the chairman of the Meeting, or adjourned Meeting, before the Form of Proxy is used.

NON-REGISTERED HOLDERS

Only registered Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most Shareholders are "non-registered" Shareholders because the common shares in the capital of the Corporation (the "**Common Shares**") they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Common Shares. More particularly, a person is not a registered Shareholder in respect of Common Shares which are held on behalf of that person (the "**Non-Registered Holder**") but which are registered either: (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**"), the Corporation has distributed copies of the Notice of Annual General and Special Meeting (the "**Notice of Meeting**"), Information Circular and the Form of Proxy (collectively, the "**Meeting Materials**") to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders. Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Management of the Corporation will pay for Intermediaries to forward the meeting materials to objecting beneficial owners under NI 54-101. Intermediaries will often use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a Form of Proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Non-Registered Holder

but which is otherwise not completed. As the Intermediary has already signed the Form of Proxy, this Form of Proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the Form of Proxy and **deliver it to Computershare** as provided above; or

- (b) more typically, be given a voting instruction form **which is not signed by the Intermediary**, and which, when properly completed and signed by the Non-Registered Holder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a “proxy authorization form”) which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page preprinted form. Sometimes, instead of the one page pre-printed form, the proxy authorization form will consist of a regular printed proxy form accompanied by a page of instructions which contain a removable label containing a bar-code and other information. In order for the Form of Proxy to validly constitute a proxy authorization form, the Non-Registered Holder must remove the label from the instructions and affix it to the Form of Proxy, properly complete and sign the Form of Proxy and return it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Common Shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the management proxy nominees and insert the Non-Registered Holder’s name in the blank space provided. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.**

EXERCISE OF DISCRETION

The persons whose names appear in the accompanying Form of Proxy will vote, or withhold from voting, the Common Shares for which they are appointed in accordance with the direction of the Shareholder appointing them.

IN THE ABSENCE OF ANY INSTRUCTIONS OR IF THE INSTRUCTIONS ARE NOT CLEAR, THE PERSONS WHOSE NAMES APPEAR IN THE ACCOMPANYING FORM OF PROXY WILL CAST THE SHAREHOLDER'S VOTE(S) IN FAVOUR OF THE PASSAGE OF THE RESOLUTIONS SET FORTH THEREIN AND IN THE NOTICE OF MEETING.

The accompanying Form of Proxy confers discretionary authority upon a proxyholder appointed thereby with respect to amendments to, or variations in, matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. As of the date of this Information Circular, the management of the Corporation knows of no such amendment or variation, or matters to come before the Meeting other than those referred to in the Notice of Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

The Corporation has an authorized capital comprised of unlimited Common Shares without par value and 20,000,000 First preferred shares (“**First Preferred Shares**”) issuable in series. As of the Record Date (as defined below), the Corporation has 69,253,483 Common Shares issued and outstanding and no First Preferred Shares issued and outstanding. Each Common Share confers on the holder thereof the right to one vote at the Meeting, while each First Preferred Share does not confer on the holder thereof the right to a vote at the Meeting.

Only holders of Common Shares of record at the close of business on March 19, 2020 (the “**Record Date**”) will receive the Notice of the Meeting and will be entitled to attend and vote, or be represented by proxy, thereat. The person duly appointed under a Form of Proxy, however, will only be entitled to vote the Common Shares represented thereby if such Form of Proxy (together with any instrument which may be required as set out in Note 5 to the Form of Proxy) is deposited at the address and within the time set out above under the heading “*Appointment and Revocation of Proxies*” or if deposited with the chairman of the Meeting prior to the commencement of the Meeting.

To the best of the knowledge of the directors and senior officers of the Corporation, as of Record Date, no person holds, directly or indirectly, or exercise control or direction, over more than 10% of the issued and outstanding Common Shares other than as listed below:

Name	Number of Common Shares Beneficially Owned	Percentage of Issued Share Capital
Joseph Houssian	15,440,104	20.6%

VOTES NECESSARY TO PASS RESOLUTIONS

Pursuant to the Corporation's articles, the quorum for the transaction of business at the Meeting consists of two (2) Shareholders present entitled to vote. A majority of the votes cast at the Meeting (in person or by proxy) is required in order to elect directors and to pass ordinary resolutions in respect of certain matters described in the accompanying Notice of Meeting.

CURRENCY

All references to currency herein are references to Canadian dollars.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Financial Statements

The Shareholders will receive the audited financial statements of the Corporation for the fiscal years ended September 30, 2018 and September 30, 2019 together with the auditor's report thereon.

2. Appointment and Remuneration of Auditors

Shareholders will be asked to pass an ordinary resolution to re-appoint KPMG LLP, Chartered Professional Accountants ("KPMG"), as auditors for the Corporation, to hold office until the next annual meeting of the Shareholders with remuneration to be fixed by the Corporation's board of directors (the "Board"). Management recommends the appointment of KPMG as the Corporation's auditors, and the proxyholders named in the enclosed Form of Proxy intend to vote in favour of such appointment.

UNLESS OTHERWISE SPECIFIED, THE PERSONS NAMED IN THE PROXY INTEND TO VOTE IN FAVOUR OF THE APPOINTMENT OF KPMG AS AUDITORS OF THE CORPORATION UNTIL THE CLOSE OF THE NEXT ANNUAL MEETING OF SHAREHOLDERS AND FOR THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION.

3. Election of Directors

The directors of the Corporation are elected at each annual meeting and hold office until the conclusion of the next annual meeting of the Corporation at which directors are elected, unless the director's office is earlier vacated in accordance with the articles of the Corporation or the provisions of the *Business Corporations Act* (British Columbia) (the "BCBCA").

Management does not contemplate that any of the nominees will be unable to serve as a director, but, if that situation should arise for any reason prior to the Meeting, the persons whose names appear in the accompanying Form of Proxy reserve the right to vote for another nominee, or nominees, in their discretion.

Pursuant to the articles of the Corporation, the Board has set the number of directors to be elected for the ensuing year at five (5). Management of the Corporation has nominated the five persons, as set out below, for election as directors of the Corporation.

The following table sets out the names and place of residence of management's nominees for election as directors, all offices in the Corporation each nominee now holds, the date of the initial appointment of each nominee as a director of the Corporation, the number of Common Shares beneficially owned by each nominee, directly or indirectly, or over which control or discretion is exercised by such nominee, as at the Record Date, and each nominee's principal occupation, business or employment.

Name, Province & Country of Residence and Office Held	Year of Appointment as Director	Number of Common Shares ⁽¹⁾	Principal Occupation or Employment and, if not a Previously Elected Director, Occupation during the Past 5 Years ⁽¹⁾
JOSEPH S. HOUSSIAN ⁽²⁾⁽³⁾ British Columbia, Canada Director	2007	15,440,104	Founder and Chairman of Intracorp Development, a real estate development company, from 1994 to present.
PHILIP G. HUGHES ⁽²⁾⁽³⁾⁽⁴⁾ Alberta, Canada Director and Chairman	2008	3,389,771	An independent businessman; Chairman of the Corporation since 2009; Director of WCB Alberta, an insurance company, since 2012; Director of Instream Energy Systems, an energy company, since 2013; Chairman of Kinetikor Resource Inc., an energy company, since 2014.
MICHAEL O'CONNOR ⁽³⁾⁽⁴⁾ British Columbia, Canada Director, President & CEO	2010	2,790,399	President and CEO of the Corporation since June 2010; President and CEO of NaiKun Wind Generating Inc., an energy company, since May 2008.
DAVID REHN ⁽²⁾⁽³⁾ Alberta, Canada Director	2008	570,467	Retired Businessman.
ARTHUR WILLMS ⁽²⁾⁽³⁾⁽⁴⁾ British Columbia, Canada Director	2015	1,010,450	Retired Businessman.

⁽¹⁾ The information as to principal occupation, business or employment and Common Shares beneficially owned or controlled is not within the knowledge of management of the Corporation and has been furnished by the respective nominees.

⁽²⁾ Member of the Audit Committee of the Corporation (the “**Audit Committee**”).

⁽³⁾ Member of the Governance & Human Resources Committee of the Corporation (the “**Governance & Human Resources Committee**”).

⁽⁴⁾ Member of the Development Committee of the Corporation (the “**Development Committee**”).

UNLESS OTHERWISE SPECIFIED, THE PERSONS NAMED IN THE PROXY INTEND TO VOTE IN FAVOUR OF THE ELECTION OF ALL FIVE NOMINEES.

Cease Trade Orders, Corporate and Personal Bankruptcies, Penalties and Sanctions

Other than as disclosed below, to the knowledge of the Corporation, no proposed director (including any personal holding company of a proposed director):

- (a) is, as at the date of this Information Circular, or was within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:
 - (i) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
 - (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of paragraph (a), above, “order” means: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, which was in effect for more than 30 consecutive days.

Mr. Hughes was a director of CellCube Energy Storage Systems Inc. (“**CellCube**”), a company listed on the Canadian Securities Exchange that was subject to a cease trade order (“**CTO**”) issued on November 2, 2018 by the British Columbia Securities Commission (“**BCSC**”) and the Ontario Securities Commission (“**OSC**”) for failure to file its audited annual financial statements, management's discussion and analysis (“**MD&A**”) and related officer certifications for the year ended June 30, 2018 (the “**Filing Documents**”), which were required to be filed on October 29, 2018. The Filing Documents were filed on December 7, 2018. Given the delay in filing the Filing Documents, CellCube was unable to file its unaudited interim financial statements, MD&A and officer certifications for the three months ended September 30, 2018 until December 10, 2018, when they were required to be filed on November 29, 2018. On December 11, 2018, the BCSC and the OSC issued a revocation order to revoke the CTO. Mr. Hughes resigned as a director of CellCube in February 2019.

To the knowledge of the Corporation, except as disclosed herein, no proposed director of the Corporation is, as at the date of this Information Circular, or has been within the 10 years before the date of this Information Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Willms was a director of Angiotech Pharmaceuticals, Inc. (“**Angiotech**”) from June 2004 until May 2011. On January 28, 2011, Angiotech voluntarily filed a petition under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) in the Supreme Court of British Columbia to implement a proposed recapitalization transaction. On May 12, 2011, Angiotech successfully implemented the proposed recapitalization transaction and exited the CCAA process.

To the knowledge of the Corporation, no proposed director of the Corporation has, within 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director of the Corporation.

To the knowledge of the Corporation, no proposed director of the Corporation has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

4. Approval of Stock Option Plan

The Corporation’s current stock option plan which was initially adopted on October 7, 2016 (the “**New Stock Option Plan**”), and is a “rolling” plan as characterized by the TSX Venture Exchange (the “**Exchange**”) policy pursuant to which the aggregate number of Common Shares reserved for issuance thereunder may not exceed, at the time of grant, in aggregate 10% of the Corporation’s issued and outstanding Common Shares from time to time. Exchange policy requires that shareholder approval for “rolling” stock option plans must be obtained annually.

The New Stock Option Plan provides that the board of directors of the Corporation may from time to time, in its discretion, and in accordance with the requirements of the Exchange, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase Common Shares, provided that the number of the Common Shares reserved for issuance will not exceed 10% of the issued and outstanding Common Shares LESS the aggregate number of Common Shares then reserved for issuance pursuant to any other stock option plan, stock options, employee stock purchase plan or other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares, including but not limited to a purchase of Common Shares from treasury which is financially assisted by the Corporation by way of loan, guarantee or otherwise (the “**Other Stock Option Plan**”). Such options issued under the New Stock Option Plan will be issued pursuant to option agreements (“**Option Agreements**”) which shall provide for the expiration of such options on a date not later than ten (10) years after the issuance of such option. In connection with the foregoing, the number of the Common Shares reserved for issuance, under the New Stock Option Plan or any Other Stock Option Plan, to: (a) any one individual in any 12 month period will not exceed five percent (5%) of the issued and outstanding Common Shares; (b) any one consultants in any 12 month period will not exceed two percent (2%) of the issued and outstanding Common Shares; and (c) all employees conducting investor relation activities in any 12 month period will not exceed two percent (2%) of the issued and outstanding Common Shares. Options issued pursuant to the New Stock Option Plan shall have an exercise price determined by the directors of the Corporation, provided that the exercise price shall not be less than the price permitted by any stock exchange on which the Common Shares are then listed, or other regulatory bodies having jurisdiction.

Subject to the particular provisions of any Option Agreement, options granted under the New Stock Option Plan are non-transferable and expire at the earlier of ten (10) years from the date of grant or ninety (90) days from the date the optionee ceases to be an officer, director, employee or consultant of the Corporation. In the event of death of an optionee, options held by the estate of such optionee shall expire at the earlier of ten (10) years from the date of grant or six (6) months from the date of ceasing to be an officer, director, employee or consultant of the Corporation due to death. In the event of termination for cause, options held by the optionee shall terminate and cease to be exercisable upon such termination.

At the Meeting, Shareholders will be asked to consider, and if thought appropriate, confirm and re-approve the New Stock Option Plan.

The text of the ordinary resolution which management intends to place before the Meeting for the re-approval of the New Stock Option Plan is set forth below:

“BE IT RESOLVED as an ordinary resolution of the shareholders of the Naikun Wind Energy Group Inc. (the “**Corporation**”) that:

1. the Corporation’s “10% rolling” stock option plan (the “**New Stock Option Plan**”) is hereby confirmed and re-approved;
2. the reservation under the New Stock Option Plan of up to a maximum of 10% of the common shares in the capital of the Corporation (“**Common Shares**”) less the aggregate number of Common Shares then reserved for issuance pursuant to any other stock option plan, stock options, employee stock purchase plan or other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares, including but not limited to a purchase of Common Shares from treasury which is financially assisted by the Corporation by way of loan, guarantee or otherwise, on a rolling basis, as at the time of granting of the stock option pursuant to the New Stock Option Plan be and the same is hereby authorized and approved; and
3. any one director or officer of the Corporation be and is hereby authorized and directed, for and on behalf of the Corporation, to execute and deliver all such documents, agreements and instruments, and to do all such other acts and things as such director or officer may determine to be necessary or advisable to give effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such documents, agreements or instruments or the doing of any such act or thing.”

Management of the Corporation believes the re-approval of the New Stock Option Plan as described above is in the best interests of the Corporation and recommends that Shareholders vote in favour of the ordinary resolution re-approving the New Stock Option Plan.

UNLESS OTHERWISE SPECIFIED, THE PERSONS NAMED IN THE PROXY INTEND TO VOTE IN FAVOUR OF THE ORDINARY RESOLUTION APPROVING THE NEW STOCK OPTION PLAN AND A RESERVATION AND ISSUANCE OF UP TO TEN PERCENT (10%) OF THE COMMON SHARES ISSUED AND OUTSTANDING AT THE TIME OF GRANT PURSUANT TO STOCK OPTIONS ISSUABLE UNDER THE NEW STOCK OPTION PLAN LESS THE AGGREGATE NUMBER OF COMMON SHARES THEN RESERVED FOR ISSUANCE PURSUANT TO ANY OTHER STOCK OPTION PLAN.

5. Sale of NaiKun Offshore Wind Farm

At the Meeting, Shareholders will be asked to consider and, if thought advisable, to pass, with or without variation, a special resolution (the “**Transaction Resolution**”) to approve the sale of the NaiKun Offshore Wind Farm located in the Hecate Strait off the coast of British Columbia, Canada (the “**Project**”) to Northland Power Inc. (“**Northland**”) pursuant to a share purchase agreement (the “**Purchase Agreement**”) dated March 27, 2020 (the “**Transaction**”). The Transaction constitutes the sale of all or substantially all of the assets of the Corporation. The Transaction is anticipated to close in mid-2020 (the “**Closing Date**”), subject to the satisfaction of certain customary conditions, including but not limited to the Corporation obtaining the applicable regulatory approvals. A summary of the terms and conditions of the Purchase Agreement is provided below.

PricewaterhouseCoopers Corporate Finance Inc. (“**PwC**”) was retained by the Corporation to provide general financial advice and assistance to the Board with respect to the Transaction. Specifically, PwC assisted in the search for a suitable offshore wind development company and with negotiating the terms of the Purchase Agreement with Northland. PwC was not engaged to prepare and has not prepared a formal valuation of the Project nor a written fairness opinion regarding the adequacy of the consideration received pursuant to the Purchase Agreement. PwC have provided advisory services in a significant number of transactions involving Canadian private and publicly traded companies. The Board’s decision to approve the Transaction and recommend that Shareholders vote in favour of the Transaction was based, in part, on the advice received from PwC.

The full text of the Transaction Resolution is set out in Schedule “C” to this Information Circular.

The Corporation’s Board unanimously determined that the Transaction is in the best interest of the Corporation and voted for its approval. The Board recommends that Shareholders vote in favour of the Transaction Resolution.

As the Transaction constitutes the sale of all or substantially all of the assets of the Corporation, in order for the Transaction to become effective, the Transaction Resolution must be approved by an affirmative vote of at least two-thirds ($66\frac{2}{3}\%$) of the votes cast by Shareholders at the Meeting in person or by proxy.

The Purchase Agreement

The description of the Purchase Agreement below is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Purchase Agreement, which may be found under the Corporation's profile on SEDAR at www.sedar.com. All capitalized terms contained in this summary and not otherwise defined herein have the meaning given to them in the Purchase Agreement.

On March 27, 2020, the Corporation entered into the Purchase Agreement with Northland. Pursuant to the Purchase Agreement, the Corporation has agreed, subject to receipt of all necessary approvals and satisfaction of other conditions, to sell the Project for the consideration described below. Upon the successful completion of the Transaction, Northland will be responsible for all aspects of the Project's development, subject only to the Option (as defined below). The Transaction will occur by way of the Corporation selling Northland a 100% interest in its wholly owned subsidiary, Naikun Wind Development Inc. which currently owns the assets comprising the Project.

Purchase Price

Pursuant to the terms of the Purchase Agreement, Northland and the Corporation have agreed to form a limited partnership (the "**Limited Partnership**") and enter into a limited partnership agreement (the "**LP Agreement**") to oversee the development of the Project. Pursuant to the LP Agreement, the Corporation is entitled to receive, as consideration for the sale of the Project:

- (a) upon the Project reaching the Financial Close (as defined below), a payment based on the size of the developed Project (the "**Cash Consideration**"); and
- (b) upon the Project reaching commercial operational, future payments consisting of annual cash distributions from the Project after the operating costs and specified return on equity have been recovered by Northland (the "**Cash Distributions**").

Pursuant to the terms of the Purchase Agreement, Northland and the Corporation have also agreed to enter into an option agreement (the "**Option Agreement**") pursuant to which Northland has agreed to grant the Corporation, subject to the Financial Close of the Project, an option to purchase up to a 10% interest in the Project (the "**Option**").

Cash Consideration

Pursuant to the terms of the LP Agreement, the receipt of the Cash Consideration will be contingent upon the Limited Partnership securing a credit facility (the "**Credit Facility**") for financing the development of an offshore wind power project with potential capacity currently estimated to be 400 megawatts ("**Phase 1**"). "**Financial Close**" means the day on which the first advance from the Credit Facility has been made to the Limited Partnership to fund construction and development of Phase 1 of the Project.

The Cash Consideration payable to the Corporation on Financial Close will be an amount equal to \$67,500 multiplied by the total number of megawatts of capacity actually built as part of the Project, up to a maximum 500 megawatts of capacity which would result in a maximum Cash Consideration of \$33,750,000 (the "**Cash Consideration Cap**"). If the Cash Consideration does not equal the Cash Consideration Cap, the Corporation will be entitled to receive further cash consideration equal to \$67,500 multiplied by the total number of megawatts of capacity actually built as part of any future phase of the Project, up to the Cash Consideration Cap. There is no guarantee that the Corporation will receive an amount equal to the Cash Consideration Cap at the time of Financial Close or at any time thereafter.

Cash Distributions

The receipt of Cash Distributions are contingent upon Northland successfully entering into a power purchase agreement (a "**Power Purchase Agreement**") with the relevant authorities in British Columbia. The size and term of the Power Purchase Agreement and any future power purchase agreements entered into by the Limited Partnership will effect the dollar value of the Cash Distribution. In addition, pursuant to the LP Agreement, in order for the Corporation to receive any Cash Distribution, the operating costs of the Limited Partnership along with specified returns on equity as set out in the LP

Agreement must first be satisfied. As such, the Corporation is unable to provide an estimated dollar value for the Cash Distributions at this time.

Option

Pursuant to the terms of the Option Agreement, the Corporation has been granted the Option to acquire up to a 10% interest in Phase 1 of the Project. The Option will only be exercisable by the Corporation upon the Financial Close of the Project. The exercise price of the Option, as set out in the Option Agreement, will be based on the total capital expenditures already incurred by the Limited Partnership on the Project and any additional capital expenditures that are required to complete Phase 1 of Project in addition to a 20% premium payable by the Corporation. Since there can be no assurance that the Project will achieve Financial Close, there can be no assurance that the Option will be exercisable.

Pursuant to the terms of the Option Agreement, the Corporation will also be granted a future option to acquire up to a 10% interest in one or more future phases of the Project beyond Phase 1 up to a maximum generating capacity of 1.5 gigawatts (the “**Future Phase Option**”). The exercise price of the Future Phase Option will be based on similar considerations as the Option exercise price. The Future Phase Option will only be exercisable in the event that the Limited Partnership chooses to develop the Project beyond Phase 1 and secures sufficient financing for such development.

Conditions Precedent

The completion of the Transaction is subject to the satisfaction of certain conditions precedent prior to the Closing Date, subject to waiver by either party for whose benefit the condition precedents are inserted.

The obligations of the Corporation to complete the Transaction are subject to the fulfillment, on or before the Closing Date, of certain conditions, including, but not limited to, the Corporation receiving necessary approvals from the TSX Venture Exchange and the approval of its Shareholders at the Meeting, as well as Northland complying with its obligations set out in the Purchase Agreement.

The obligations of Northland to complete the Transaction are subject to the fulfillment, on or before the Closing Date, of certain conditions, including, but not limited to, the Corporation receiving necessary approvals from the TSX Venture Exchange and the approval of its Shareholders at the Meeting; the Corporation complying with its obligations set out in the Purchase Agreement; the receipt of all necessary permits and consents to the completion of the Transaction; the Corporation having undertaken certain tax related transaction and steps prior to the Closing Date; and there not having occurred a Material Adverse Event.

Termination

The Purchase Agreement may be terminated and the Transaction may be abandoned at any time prior to its completion (notwithstanding approval of the Transaction Resolution by the Shareholders) in certain circumstances, including if the conditions to closing the Transaction have not been satisfied, or if the Closing has not occurred on or before December 1, 2020.

Development Services Agreement

Pursuant to the Purchase Agreement, the Corporation and Northland have entered into a development services agreement (the “**Development Services Agreement**”) dated March 27, 2020 under which the Corporation has agreed to provide general offshore wind power project development services for the development of Phase 1 of the Project. In consideration for the services provided under the Development Services Agreement, Northland will pay a monthly service fee of \$35,000 to the Corporation. The Development Services Agreement will continue for a minimum of one year and may be extended by the mutual agreement of the parties, subject to the termination rights contained therein.

Use of Proceeds

Given the uncertainty of the amount of the Cash Consideration and Cash Distributions (if any), the Corporation will make appropriate determinations as to the use of any funds received at the time of receipt of such payments. While there is no assurance that the Project will be successfully developed or that a Power Purchase Agreement can be attained, it is the Corporation’s opinion that the Project is most likely to proceed under Northland’s management given Northland’s status, experience and capacity in advancing early stage renewable energy projects to the next level of development.

Dissent Rights

Registered Shareholders will be entitled to exercise their right to dissent (“**Dissent Rights**”) with respect to the Transaction Resolution in accordance with Sections 237 to 247 of the BCBCA. Shareholders who validly exercise their Dissent Rights and do not withdraw their dissent with respect to the Transaction Resolution (“**Dissenting Shareholders**”) will be entitled to receive the “fair value” of their Common Shares determined in accordance with Sections 237 to 247 of the BCBCA as at the day before the Transaction Resolution is adopted by Shareholders. **Non-registered Shareholders can only exercise Dissent Rights by contacting their broker or other financial intermediary and having them take the necessary steps to exercise Dissent Rights on behalf of the non-registered Shareholder.**

The following summary of the Dissent Rights is not a comprehensive description of the procedures to be followed in connection with the exercise of these Dissent Rights. The summary is qualified in its entirety by reference to the full text of Sections 237 to 247 of the BCBCA, which are set out in Schedule D to this Information Circular. Shareholders who intend to exercise their Dissent Rights should seek legal advice and carefully consider and comply with the provisions of the Dissent Rights. **Failure to comply with the applicable Dissent Rights provisions and to adhere to the procedures established therein may result in the loss of their Dissent Rights in respect of the Transaction Resolution.**

Dissenting Shareholders must send any written objections in respect of the Transaction Resolution pursuant to their Dissent Rights to the Corporation before 10:00 a.m. (Pacific time) on May 13, 2020, or no later than 48 hours (excluding Saturdays, Sundays and holidays) before to any adjournment of the Meeting. Shareholders should be aware that simply voting against the Transaction Resolution at the Meeting does not constitute the exercise of their Dissent Rights.

Each Shareholder, the name of which appears on the central securities register of the Corporation, shall have the right to exercise their Dissent Rights in respect of the Transaction Resolution. The Dissent Rights are effected in accordance with Sections 237 to 247 of the BCBCA. In the event the Transaction is completed, any Dissenting Shareholder who dissents in the required manner from the Transaction Resolution will be entitled to be paid the fair value of their Common Shares immediately before the approval by Shareholders of the Transaction Resolution.

A Shareholder intending to dissent in respect of the Transaction Resolution must send written notice of dissent to the Corporation at least two days before the Meeting and such written notice of dissent must otherwise strictly comply with the requirements of section 242 of the BCBCA, including setting forth details of the ownership of Common Shares. A Dissenting Shareholder may only dissent with respect to all of the Common Shares held on behalf of any one beneficial owner and registered in the Dissenting Shareholder’s name. Under the BCBCA there is no right of partial dissent.

A vote against the Transaction Resolution does not constitute notice of dissent under the BCBCA and a Shareholder who votes in favour of the Transaction Resolution will not be considered a Dissenting Shareholder.

Promptly after the approval of the Transaction Resolution and after the date on which the Corporation forms the intention to proceed with the Transaction, the Corporation must send notice of such fact to each Dissenting Shareholder who has not withdrawn their objection and who has not voted in favour of the Transaction Resolution. The Dissenting Shareholder has one month after receipt of such notice to send the Corporation or its transfer agent a written notice setting out such holder’s name, address, the number of Common Shares that are subject to the objection and a demand for payment of the fair value of such Common Shares. The Dissenting Shareholder must send to the Corporation any certificates representing Common Shares subject to the objection with the notice containing the demand for payment.

Upon the sending of the notice to the Corporation containing the demand for payment, the Dissenting Shareholder is deemed to have sold the Common Shares to the Corporation and the Corporation is deemed to have purchased such Common Shares. Accordingly, after the sending of such notice, the Dissenting Shareholder ceases to have any further rights as a Shareholder except the right to be paid the fair value for the Dissenting Shareholder’s Common Shares, unless (i) the Shareholder withdraws the notice before the Corporation makes the offer to pay for the Common Shares, (ii) the Corporation fails to make the offer to pay for the Common Shares and the Dissenting Shareholder withdraws the notice or (iii) the directors of the Corporation revoke the Transaction Resolution, in which case the Dissenting Shareholder will be reinstated as a Shareholder as of the date the notice was sent.

The Corporation and the Dissenting Shareholder may agree on the amount of the payout value on the Common Shares and in that event, the Corporation must promptly pay the agreed amount to the Dissenting Shareholder. If the Corporation is not able to pay the Dissenting Shareholder because it has reasonable grounds to believe that the Corporation is insolvent or the payment would render the Corporation insolvent, then the Corporation must send notice to the Dissenting Shareholder that the Corporation is unable to lawfully pay the Dissenting Shareholder for its Common Shares. The Corporation must make such payment promptly after the offer has been accepted. In the event that the Corporation fails to make an offer to a Dissenting Shareholder, or in the event that such offer is not accepted, the Corporation or the Dissenting Shareholder may

apply to the court to fix a fair value for the Common Shares of the Dissenting Shareholder. The BCBCA contains provisions governing such court application.

Subsection 244(4) and Section 246 of the BCBCA outline certain events when the Dissent Rights will cease to apply where such events occur before payment is made to the Dissenting Shareholder of the fair value of the shares (including if the Transaction Resolution does not pass or is otherwise not proceeded with). In such events, the Dissenting Shareholder will be entitled to the return of the applicable share certificate(s), if any, and rights as a Shareholder in respect of the applicable Common Shares will be regained.

6. Name Change to Oceanic Wind Energy Inc.

Management of the Corporation has proposed to change the name of the Corporation. Accordingly, at the Meeting, Shareholders will be asked to consider, and, if deemed advisable, to approve, with or without variation, a special resolution (being a resolution passed by not less than 75% of the votes cast by those Shareholders who, being entitled to do so, vote in person or by proxy at the Meeting) to approve the change of name of the Corporation to “Oceanic Wind Energy Inc.” (the “**Name Change**”).

The Name Change will be subject to: (i) the new name being acceptable to the Exchange; and (ii) receipt of all required approvals (including the approval of the special resolution to approve the Name Change). There can be no assurance that the Exchange approval will be obtained.

If the requisite approvals are received, the Name Change will be effective at a time determined by the Board. Even if the Name Change is approved, the Board may determine not to proceed with the Name Change, at its discretion.

The text of the special resolution which management intends to place before the Meeting for the approval of the Name Change is as follows:

“BE IT RESOLVED as a special resolution of the shareholders of NaiKun Wind Energy Group Inc. (the “**Corporation**”) that, subject to receipt of all necessary regulatory approvals, including approval of the TSX Venture Exchange:

1. the Corporation’s Notice of Articles be altered by changing the name of the Corporation to “Oceanic Wind Energy Inc.” (the “**Name Change**”);
2. notwithstanding that the foregoing resolution has been passed by the shareholders of the Corporation, the directors of the Corporation are hereby authorized and empowered, without further notice to, or approval of, the shareholders of the Corporation, not to proceed with the Name Change;
3. any one director or officer of the Corporation is authorized to execute the required Notice of Alteration on behalf of the Corporation;
4. subject to the deposit of this resolution at the Corporation’s records office, the solicitors for the Corporation are authorized and directed to prepare and electronically file the Notice of Alteration with the British Columbia Registrar of Companies; and
5. upon the Notice of Alteration taking effect, the Corporation’s Articles be altered to reflect the Name Change.”

The Board recommends that Shareholders vote in favour of the Name Change.

UNLESS OTHERWISE SPECIFIED, THE PERSONS NAMED IN THE PROXY INTEND TO VOTE IN FAVOUR OF THE SPECIAL RESOLUTION TO APPROVING THE NAME CHANGE.

CORPORATE GOVERNANCE

National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“**NI 58-101**”), adopted by the Canadian Securities Administrators, requires issuers to disclose their governance practices in accordance with that instrument.

The Corporation is a “venture issuer” within the meaning of NI 58-101. NP 58-201 *Corporate Governance Guidelines* provides guidance on corporate governance practices. In addition, the Corporation is subject to National Instrument 52-110

Audit Committees (“**NI 52-110**”), which has been adopted in various Canadian provinces and territories and which prescribes certain requirements in relation to audit committees. A full description of each of the corporate governance practices of the Corporation with respect to NI 58-101 is set out in Schedule “A” to this Information Circular.

AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITORS

NI 52-110 requires the Corporation, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditors, which is set forth below.

The Audit Committee’s Charter

The Audit Committee is governed by an audit committee charter (the “**Audit Committee Charter**”), the text of which is set out in Schedule “B” to this Information Circular.

Composition of the Audit Committee

The current Audit Committee is comprised of four directors, David Rehn (Chairman), Philip Hughes, Joseph S. Houssian, and Art Willms of which all members are considered independent, pursuant to the meaning of “independent” provided in NI 52-110. All four members are considered financially literate as provided for in NI 52-110.

Relevant Education and Experience

This section described the education and experience of the Audit Committee members that is relevant to the performance of their responsibilities in that role.

David Rehn

Mr. Rehn was Executive Vice President, Generation, Information Technology and Supply Chain with ENMAX Corporation (“**ENMAX**”), an electric services company, from 2007 to 2017, where he was responsible for the negotiation, construction, and operation of ENMAX’s power generation facilities and management of the Information Technology infrastructure. Prior to joining ENMAX, Mr. Rehn held key positions with Constellation Energy Group Inc. and Røvsing Dynamics A/S. He also served with Duke Energy Corporation for 25 years in a variety of positions, including President and Chief Executive Officer of Duke Energy Power Services North America.

Philip G. Hughes

Mr. Hughes has served as President and Chief Executive Officer of five energy companies across Canada. Most recently Mr. Hughes was a senior executive with the Fortis Inc. group of companies and led the operations as President and CEO of several Fortis Inc. subsidiaries including FortisAlberta Inc., Newfoundland Power Inc., Maritime Electric Company and FortisBC. In September 2012, Mr. Hughes was appointed to the board of WCB Alberta. Mr. Hughes is also a past Officer of the World Energy Council, former Chair of the Canadian Electrical Association, and former Chair of the Energy Council of Canada. Mr. Hughes was awarded the Alberta Centennial Medal. He is a Chartered Accountant (Alberta, England and Wales) with 28 years of diverse experience in the Canadian energy business. He graduated from University of Lancaster, England in 1977 with a Bachelor of Arts Honours, Economics degree.

Joseph S. Houssian

Mr. Houssian has extensive experience in business development, growth, and operations. Mr. Houssian founded Intrawest Corporation (“**Intrawest**”) and acted as the President and CEO from 1976 until 2006. Intrawest, a global developer and operator of luxury mountain, golf, and beach resorts. Intrawest's operations and ancillary businesses included Abercombie & Kent, which operates in 100 countries. When sold in 2006, Intrawest employed 25,000 people with annual revenues over \$1.5 billion. Currently, Mr. Houssian is Chairman and founder of Intracorp Development, an urban real estate development company and Elemental Energy Inc., a renewable energy development and operating company. He has also served on the boards of Versacold Corporation and Lions Gate Entertainment Corp.

Art Willms

Mr. Willms spent 30 years in the energy business in Canada culminating as President and Chief Operating Officer of Westcoast Energy Inc. for ten years prior to his retirement. He has served as Chairman of the Canadian Gas Association, Pacific Gas Association and on numerous energy, mining and pharmaceutical boards. Currently serves on the board and

Chair of the audit committee of Correvio Pharma Corp. He graduated from the University of Calgary with degrees in Education, Mathematics and a Masters Degree in Economics.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in section 2.4 of NI 52-110 (*De Minimis Non-Audit Services*), subsection 6.1.1(4) (*Circumstance Affecting the Business or Operations of the Venture Issuer*), 6.1.1(5) (*Events Outside Control of Member*), 6.1.1(6) (*Death, Incapacity or Resignation*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the section "Auditors" of the Audit Committee Charter.

External Auditor Service Fees

The aggregate fees billed by the Corporation's auditors in each of the last two fiscal years for audit fees are as follows:

Financial Year End	Audit Fees ⁽¹⁾	Audit Related Fees	Tax Fees ⁽²⁾	All Other Fees ⁽³⁾
September 30, 2019	\$26,750	Nil	\$27,079	Nil
September 30, 2018	\$27,000	Nil	\$6,000	Nil

⁽¹⁾ Fees related to professional services rendered by KPMG, the Corporation's auditors, in performing the audit of the Corporation's annual financial statements.

⁽²⁾ Fees related to professional services rendered by KPMG, the Corporation's auditors, for preparation of the Corporation's tax returns and related tax advice. The amount is higher in 2019 related to tax consultation during negotiating with potential new partner(s).

⁽³⁾ The Corporation engaged the KPMG Infrastructure group to perform an analysis on the benefits that would accrue, as a result of the Corporation's project, to both British Columbia and Canada. The Corporation chose KPMG Infrastructure because of their familiarity with the Corporation's project and their extensive knowledge of other British Columbia infrastructure projects. The engagement was pre-approved by the Corporation's Audit Committee and Board, neither of which was of the view the engagement would impair the independence of KPMG as the Corporation's auditors.

Exemption

The Corporation is relying on the exemption provided in section 6.1 of NI 52-110 which provides that the Corporation, as a venture issuer, is not required to comply with Part 5 *Reporting Obligations* of NI 52-110. Further, the Corporation is not relying on the exemption provided in section 6.1 of NI 52-110 which provides that the Corporation, as a venture issuer, is not required to comply with Part 3 *Composition of Audit Committee* of NI 52-110, as 100% of the members of the Audit Committee are independent as interpreted from the definition of "independent" in section 1.4 of NI 52-110.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This disclosure provides information regarding all significant elements of compensation paid or awarded to the Corporation's Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and the Corporation's three other most highly compensated officers for the fiscal year ended September 30, 2019 who earned more than \$150,000, (collectively, the "Named Executive Officers" or "NEOs"), if applicable, and the Corporation's directors. Only the Corporation's CEO and CFO are considered NEOs for the fiscal years ended September 30, 2019.

Oversight

The Governance & Human Resources Committee is comprised of Philip Hughes (Chairman), Joseph Houssian, Michael O'Connor, David Rehn, and Arthur Willms (see "Compensation" section in Schedule "A" to this Information Circular), and oversees the executive compensation policies, evaluates management's performance and makes recommendations to the Board for approval. All such directors are independent except Michael O'Connor. The Board has ultimate responsibility to approve recommendations on compensation matters.

All five Governance & Human Resources Committee members have direct experience that is relevant to their responsibilities in executive compensation, as well as the skills and experience that enable them to make informed decisions on the suitability of the Corporation's executive compensation policies. Each Governance & Human Resources Committee member has experience acting as senior executives and/or directors of other publicly traded companies.

Executive and Employee Compensation Objectives and Principles

The Corporation's executive compensation policies are designed to support its long-term growth strategy and the following objectives:

- To attract, retain and motivate highly qualified and talented executives through the multiple stages of a major energy development project;
- To ensure that the total compensation to executives is competitive with that paid by comparable companies in a similar business; and
- To ensure that the interests of the executive officers are aligned with the interests of Shareholders.

Elements of Compensation

NEOs' compensation package is determined based on their experience and relevance to the Corporation's long-term objectives, the responsibilities of the position, the ability to influence business results, and individual performance.

The Corporation's executive compensation consists of base salary, short-term incentives and long-term incentives.

Base Salary

Base salaries are intended to attract and retain highly qualified executives by providing a reasonable amount of non-contingent remuneration.

Short-Term Incentives

At the present time, short-term incentives are in the form of annual bonuses based on individual performance. During the year ended September 30, 2019, the Corporation did not pay out any short-term incentives.

Long-Term Incentives

Long-term incentives include a deferred cash completion bonus plan (the "**Deferred Plan**"), and the New Stock Option Plan.

The Deferred Plan was designed to attract and retain qualified personnel while conserving limited cash resources during the Corporation's initial formation period. Consistent with the Old Stock Option Plan, the purpose of the New Stock Option Plan is to attract and retain directors, officers, employees and service providers of the Corporation and to motivate them to advance the interests of the Corporation by aligning their interests with those of the Shareholders of the Corporation by affording them with the opportunity to acquire an equity interest in the Corporation through options. The Corporation takes previous grants of options into account when considering new grants.

During the year ended September 30, 2019, the Corporation granted an aggregate of 1,250,000 options under the New Stock Option Plan pursuant to Option Agreements. Additional information on the terms of the New Stock Option Plan is available under the heading "*Approval of Stock Option Plan*" in this Information Circular.

As of the Record Date, there are currently 2,250,000 options outstanding, representing 3.0% of the issued and outstanding Common Shares, leaving a maximum of 5,258,174 options, representing 7.0% of the issued and outstanding Common Shares available for grant pursuant to the New Stock Option Plan.

The purpose of the Deferred Plan was to defer payment of the majority of the Corporation's salary expenses during its initial years of operations until commercial success was achieved (commercial success being achieving the Financial Close for Phase 1 of the Project). Amounts allocated under the Deferred Plan have not been paid nor accrued in the financial statements due to the uncertainty of occurrence and timing of Financial Close. The aggregate amount potentially payable upon Financial Close to the Deferred Plan participants as at September 30, 2019 was \$4,180,833 (2018: \$4,180,833). In respect of the year ended September 30, 2008, most of the participants in the Deferred Plan signed employment agreements with the Corporation and effectively capped the balance of their Deferred Plan entitlements as at December 31, 2007.

Risks Associated with Executive Compensation

The Board, in recognition of limited resources, took action to reduce compensation to the directors effective as of October 1, 2015, and reduce compensation to the CEO and CFO effective as of the quarter commencing January 1, 2016. The reduction to the levels of compensation remain in effect through to the present.

Financial Instruments

The Corporation has not implemented any policies which restrict its executive officers and directors from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the executive officer or director.

Summary of Executive Compensation

The following table (presented in accordance with National Instrument 51-102F6 *Statement of Executive Compensation*) sets forth all annual and long term compensation for services in all capacities to the Corporation for each of the Corporation's three most recently completed financial years for each of the individuals who were as of September 30, 2019, or at any time during that financial year, a NEO.

Summary Compensation Table - NEOs

Name and Principal Position	Fiscal Year End Sept 30	Salary (\$)	Share Based Awards (\$)	Option-Based Awards (\$) ⁽¹⁾	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive Plans (\$)	Long-term Incentive Plans (\$)			
MICHAEL O'CONNOR President & CEO	2019	400,000 ⁽²⁾	Nil	12,900 ⁽³⁾	Nil	Nil	Nil	Nil	412,900
	2018	400,000 ⁽²⁾	Nil	14,227 ⁽³⁾	Nil	Nil	Nil	Nil	414,227
	2017	400,000 ⁽²⁾	Nil	10,500 ⁽³⁾	Nil	Nil	Nil	Nil	410,500
WILBUR LANG CFO & VP Finance	2019	83,600	Nil	10,320 ⁽⁴⁾	Nil	Nil	Nil	Nil	93,920
	2018	45,100	Nil	14,227 ⁽⁴⁾	Nil	Nil	Nil	Nil	59,327
	2017	39,600	Nil	21,000 ⁽⁴⁾	Nil	Nil	Nil	Nil	60,600

⁽¹⁾ Value was determined as per the Black-Scholes method.

⁽²⁾ Of these amounts, \$220,000(2017), \$220,000(2018), and 220,000(2019) were payable to the Corporation's CEO and included in accounts payable and accrued liabilities for a total of \$660,000.

⁽³⁾ On January 24, 2019, Mr. O'Connor was granted options to purchase a total of 250,000 Common Shares for a period of ten (10) years at an exercise price of \$0.10, based on his performance during the year ended September 30, 2018. On November 1, 2017, Mr. O'Connor was granted options to purchase a total of 200,000 Common Shares for a period of ten (10) years at an exercise price of \$0.095 per Common Share, based on his performance during the year ended September 30, 2017. On October 7, 2016, Mr. O'Connor was granted options to purchase a total of 150,000 Common Shares for a period of ten (10) years at an exercise price of \$0.10 per Common Share, based on his performance during the year ended September 30, 2016.

⁽⁴⁾ On January 24, 2019, Mr. Lang was granted options to purchase a total of 200,000 Common Shares for a period of ten (10) years at an exercise price of \$0.10, based on his performance during the year ended September 30, 2018. On November 1, 2017, Mr. Lang was granted options to purchase a total of 200,000 Common Shares for a period of ten (10) years at an exercise price of \$0.095 per Common Share, based on his performance during the year ended September 30, 2017. On October 7, 2016, Mr. Lang was granted options to purchase a total of 300,000 Common Shares for a period ten (10) years at an exercise price of \$0.10 per Common Share, based on his performance during the year ended September 30, 2016.

Incentive Plan Awards

The following table summarizes all option-based awards outstanding for each NEO at the end of the most recently completed financial year.

Incentive Plan Awards – Options and Non-Equity Incentive Plan Compensation

	Option-based Awards				Share-based Awards		
Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Michael O'Connor President & CEO	250,000	0.10	January 24, 2029	Nil	Nil	Nil	Nil
	200,000	0.095	November 1, 2027	Nil	Nil	Nil	Nil
	150,000	0.10	October 7, 2026	Nil	Nil	Nil	Nil
Wilbur Lang CFO & VP Finance	200,000	0.10	January 24, 2029	Nil	Nil	Nil	Nil
	200,000	0.095	November 1, 2027	Nil	Nil	Nil	Nil
	300,000	0.10	October 7, 2026	Nil	Nil	Nil	Nil

Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$) ⁽²⁾	Non-equity incentive plan compensation – Value earned during the year (\$)
Michael O'Connor President & CEO	12,900	Nil	Nil
Wilbur Lang CFO & VP Finance	10,320	Nil	Nil

⁽¹⁾ Value was determined as per the Black-Scholes method.

⁽²⁾ The Corporation does not currently maintain any share-based incentive plans.

Pension Plan Benefits

The Corporation does not have a pension plan.

Employment Agreements

The Corporation has entered into employment and consulting agreements with its NEOs, and certain of those agreements provide for termination and change of control payments beyond the statutory requirements as described below.

Termination and Change of Control Benefits

Mr. O'Connor entered into an employment agreement with the Corporation in May 2008 to lead the development of the project's design and construction plan. On June 15, 2010 Mr. O'Connor was appointed the President and CEO of the Corporation and his contract was amended in December 2010. Termination under the new agreement provides that the Corporation shall pay Mr. O'Connor the greater of (a) eighteen months of his annual base salary and benefits as of the date of termination, subject to standard payroll deductions and withholdings; and (b) \$1,300,000 less the aggregate annual base salary earned by Mr. O'Connor since the commencement of his new employment agreement. Upon a change of control, Mr. O'Connor may choose to terminate his employment within six months from the date of the change of control. If Mr. O'Connor had been dismissed without cause, or resigned in the event of a change of control, on September 30, 2019, he would have been entitled to payment of \$600,000 from the Corporation (2018: \$600,000). All warrants and options issued prior to the termination are exercisable in accordance with the applicable warrant agreements and plan and stock option agreements and plan.

Compensation of Directors

The Corporation may compensate its non-officer directors through a combination of payments of cash and Common Shares of the Corporation and options under the New Stock Option Plan.

Effective October 1, 2015, the Board resolved to reduce their compensation to only include options and share based compensation, and no cash, with annual retainer amounts in the table below. These revised compensation parameters have continued through the year ended September 30, 2019. The Corporation provides written notice to the Exchange on the details of these quarterly issuances.

	Compensation issued in Common Shares
Chair on the Corporation's Board	20,000 per annum
Director on the Corporation's Board	5,000 per annum
Director on the board of a subsidiary	Nil
Member of a Committee	1,875 per annum
Chairman of a Committee	3,125 per annum

Payments, warrants and options granted to non-officer directors for the year ended September 30, 2019 are summarized in the following tables:

Summary Compensation Table - Directors

Name	Years	Fees earned (\$)	Share-based awards (\$) ⁽¹⁾	Option-based awards (\$) ⁽²⁾	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total compensation (\$)
Joseph S. Houssian	2019	Nil	6,875	10,320 ⁽³⁾	Nil	Nil	Nil	17,195
Philip G. Hughes	2019	Nil	20,000	10,320 ⁽³⁾	Nil	Nil	Nil	30,320
David Rehn	2019	Nil	8,125	10,320 ⁽³⁾	Nil	Nil	Nil	18,445
Arthur Willms	2019	Nil	8,125	10,320 ⁽³⁾	Nil	Nil	Nil	18,445

⁽¹⁾ During the financial year ended September 30, 2019, Messrs. Houssian, Hughes, Rehn, and Willms continued to receive Common Shares in lieu of cash compensation, being 25% of their quarterly directors' fees, issued by the Corporation on October 15, 2018, January 16, 2019, April 15, 2019, and on July 15, 2019. The Exchange was notified of all quarterly issuances.

⁽²⁾ Value was determined as per the Black-Scholes method.

⁽³⁾ On January 24, 2019, each of Mr. Houssian, Mr. Hughes, Mr. Rehn and Mr. Willms was granted options to purchase a total of 200,000 Common Shares for a period of ten (10) years at an exercise price of \$0.095 per Common Share, based on his performance during the year ended September 30, 2018.

The following table summarizes all option-based awards outstanding for each director at the end of the most recently completed financial year.

Incentive Plan Awards – Options and Non-Equity Incentive Plan Compensation

	Option-based Awards				Share-based Awards		
Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Joseph S. Houssian	200,000 250,000	\$0.10 \$0.095	January 24, 2029 November 1, 2027	Nil	Nil	Nil	Nil

Philip G. Hughes	200,000 250,000	\$0.10 \$0.095	January 24, 2029 November 1, 2027	Nil	Nil	Nil	Nil
David Rehn	200,000 250,000	\$0.10 \$0.095	January 24, 2029 November 1, 2027	Nil	Nil	Nil	Nil
Arthur Willms	200,000 250,000 200,000	\$0.10 \$0.095 \$0.135	January 24, 2029 November 1, 2027 February 14, 2020	Nil	Nil	Nil	Nil

Incentive Plan Awards – Value Vested or Earned During the Year

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during the year (\$) ⁽²⁾	Non-equity incentive plan compensation – Value earned during the year (\$)
Joseph S. Houssian	10,320	Nil	Nil
Philip G. Hughes	10,320	Nil	Nil
David Rehn	10,320	Nil	Nil
Arthur Willms	10,320	Nil	Nil

⁽¹⁾ Value was determined as per the Black-Scholes method.

⁽²⁾ The Corporation does not currently maintain any share-based incentive plan.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth details of all equity compensation plans of the Corporation as of September 30, 2019.

Table of Equity Compensation Plan Information as of September 30, 2019

	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders			
Old Stock Option Plan	200,000	\$0.135	Nil
New Stock Option Plan	5,100,000	\$0.095	1,625,348
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
TOTAL	5,300,000	N/A	1,625,348

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors, executive officers and employees or former directors, executive officers, and employees, as of the Record Date, are indebted to either the Corporation or any of its subsidiaries nor are any of these individuals indebted to another entity which indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

MANAGEMENT CONTRACTS

The management functions of the Corporation and its subsidiaries are not performed to any substantial degree by any person or company other than the directors and executive officers of the Corporation or its subsidiaries.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Corporation, except as described herein, no director or executive officer of the Corporation, no person who beneficially owns, directly or indirectly, Common Shares carrying 10% or more of the voting rights attached to all outstanding Common Shares of the Corporation (each of the foregoing being an “**Informed Person**”), no director or executive officer of an entity that is itself an Informed Person or a subsidiary of the Corporation, no proposed nominee for election as a director of the Corporation and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, in any transaction since the beginning of the Corporation’s last completed financial year or in any proposed transaction which, in either case, has materially affected or would materially affect the Corporation or any of its subsidiaries.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

To the knowledge of management of the Corporation, other than as described herein, no director or executive officer of the Corporation at any time since the beginning of the last completed financial year of the Corporation, no proposed nominee for election as a director of the Corporation and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

OTHER MATTERS

The management of the Corporation is not aware of any other matter to come before the Meeting other than as set forth in the Notice of the Meeting. If any other matter properly comes before the meeting, it is the intention of the persons named in the enclosed Form of Proxy to vote the Common Shares represented thereby in accordance with their best judgment on such matters.

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR. Financial information regarding the Corporation is provided in the Corporation’s consolidated financial statements for the financial years ended September 30, 2018 and September 30, 2019, and the auditors’ report thereon, together with the corresponding management discussion and analysis. Copies of the consolidated financial statements and corresponding management’s discussion and analysis, as well as additional copies of this Information Circular, may be obtained upon request from the Corporation at Suite 570, 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

APPROVAL OF DIRECTORS

The contents and the sending of the accompanying Notice of Meeting and this Information Circular to Shareholders have been approved by the Board.

DATED at Vancouver, British Columbia, April 16, 2020.

By order of the board of directors of,

NAIKUN WIND ENERGY GROUP INC.

(signed) “Michael O’Connor”

Michael O’Connor President, Chief Executive Officer & Director

SCHEDULE “A”

NAIKUN WIND ENERGY GROUP INC. CORPORATE GOVERNANCE DISCLOSURE

Corporate governance relates to the activities of the board of directors (the “**Board**”) of NaiKun Wind Energy Group Inc. (the “**Corporation**”), the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Corporation. National Policy 58-201 *Corporate Governance Guidelines* (“**NP 58-201**”) establishes corporate governance guidelines which apply to all public companies. These guidelines are not intended to be prescriptive but to be used by issuers in developing their own corporate governance practices. The Board is committed to sound corporate governance practices, which are both in the interest of the Corporation’s shareholders and contribute to effective and efficient decision making.

Pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“**NI 58-101**”), the Corporation is required to disclose its corporate governance practices, as summarized below. The Board will continue to monitor such practices on an ongoing basis and, when necessary, implement such additional practices as it deems appropriate.

ITEM 1. BOARD OF DIRECTORS

The Board is to be comprised of five directors, four of the directors are independent and one is not independent, within the meaning set out in NI 58-101. The Board considers that Joseph S. Houssian, Philip G. Hughes, David Rehn, and Arthur Willms are independent directors. Michael O’Connor is not an independent director.

The Board considers that Michael O’Connor is not an independent director because of his position as President and Chief Executive Officer (“**CEO**”) the Corporation, and his position as a director and officer on a number of the Corporation’s subsidiary companies.

The Board facilitates its exercise of independent supervision over the Corporation’s management through frequent meetings of the Board.

The Board is responsible for determining whether or not each director is an independent director. To do this, the Board analyzes all the relationships of the directors with the Corporation and its subsidiaries. Those directors who do not meet the meaning of independence as provided in NI 58-101 were deemed to not be independent directors.

The following director of the Corporation is currently a director of the following other reporting issuer:

Name of Director	Name of Reporting Issuer
Arthur Willms	Correvio Pharma Corp. (NASDAQ: CORV)

Other than their attendance at Audit Committee and Governance & Human Resources Committee meetings, the independent directors do not at this time hold separate regular meetings at which management is not in attendance. Within each Board meeting an “*In Camera*” session is on the agenda and held if required. The Board facilitates open and candid discussion among its independent directors by encouraging such members to have discussions with the Board members who are not independent directors.

The Board has established provisions for leadership for its independent directors with the appointment of Philip G. Hughes as independent chairman of the Board.

The Corporation holds Board meetings quarterly and will include additional board meetings on an “as needed” basis.

Set out below are the dates of the Board meetings held from December 1, 2018 to January 31, 2020 and a list of directors who were not in attendance at a specific meeting with a ratio of the number of directors in attendance to total number of directors.

Meeting Date	Members not in Attendance	Ratio of Members in Attendance to Total Number of Members
January 22, 2019	N/A	5/5
January 24, 2019	N/A	5/5
April 12, 2019	N/A	5/5
April 25, 2019	N/A	5/5
June 20, 2019	Rehn	4/5
July 8, 2019	N/A	5/5
August 26, 2019	N/A	5/5
November 18, 2019	N/A	5/5
January 24, 2020	N/A	5/5

Audit committee meetings are held on a regular basis. Set out below is the attendance of Board members at Board meetings and Board committee meetings held from December 1, 2018 to January 31, 2020 with a ratio of the number of meetings attended to the total number of meetings held.

Board Member	Ratio of Board Meetings Attended to Total Number of Meetings Held	Ratio of Audit Committee Meetings Attended to Total Number of Meetings Held ⁽¹⁾	Ratio of Governance & Human Resources Committee Meetings Attended to Total Number of Meetings Held
Joseph Houssian	9/9	2/2	
Philip G. Hughes	9/9	2/2	
David Rehn	8/9	2/2	
Michael O'Connor	9/9	-	
Arthur Willms	9/9	2/2	

⁽¹⁾ “-” means a Board member is not a committee member.

ITEM 2. BOARD MANDATE

The mandate of the Board is to assume responsibility for the stewardship of the Corporation by monitoring the financial performance of the Corporation and overseeing and supervising the conduct and management of the business and affairs of the Corporation. The Board acts in accordance with the *Business Corporations Act* (British Columbia) and other applicable laws, the articles of incorporation of the Corporation, the Audit Committee Charter and corporate policies, including the Corporation’s policy on Employee Code of Business Conduct and Ethics. The Board approves all material decisions that affect the Corporation and its subsidiaries before they are implemented. The Board is responsible for choosing the CEO of the Corporation and for appointing senior officers of the Corporation and for monitoring the performance of the CEO.

ITEM 3. POSITION DESCRIPTIONS

The Board has not developed written position descriptions for the chairman of the Board or the chairman of Board committees.

The primary role of the chairman of the Board and the chairman of each Board committee is managing the affairs of the Board or such committee, as applicable, including ensuring the Board or such committee is organized properly, functions effectively and meets its obligations and responsibilities. Each chairman conducts the affairs of the committee in accordance with the charters of such committee.

The Board and CEO have not developed a written position description for the CEO. The roles and responsibilities of the CEO are:

- developing the Corporation's long and short-term strategies and their implementation in all key areas of the Corporation's activities;
- carrying out a comprehensive budgeting and operational planning process and monitoring the Corporation's financial performance against the budget; and
- identifying opportunities and risks affecting the Corporation's business and finding ways of dealing with them.

ITEM 4. ORIENTATION AND CONTINUING EDUCATION

Currently, the Board does not have a formal orientation or education program for its members.

When new directors are appointed they receive relevant corporate and business information about the Corporation and are oriented on the Corporation's properties, business, technology and industry. The Board is responsible for ensuring new nominees fully understand the time commitment required of them as a director. Directors are afforded the opportunity to receive detailed briefings from management.

Senior management makes regular presentations to the Board on core areas of the Corporation's business. Directors are invited to tour the Corporation's facilities.

ITEM 5. ETHICAL BUSINESS CONDUCT

On January 23, 2012, the Board adopted a policy, the Employee Code of Business Conduct and Ethics (the "Code") to quantify and stipulate steps to encourage and promote a culture of ethical business conduct for officers and employees. Copies of the Code are available upon request from the Corporation. The Board accepts the responsibility of monitoring compliance with the Code.

The Board promotes ethical business conduct through the nomination of Board members it considers ethical, through avoiding and minimizing conflicts of interest and by having a majority of its Board members independent of corporate matters.

Activities which may give rise to conflicts of interest are prohibited unless specifically approved by the Board. Each director must disclose all actual or potential conflicts of interest to the Board and refrain from voting on all matters in which such director has a conflict of interest. In addition, if a conflict of interest arises, the director must excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest.

The Corporation holds information sessions to promote compliance with laws, rules and regulations applicable to its business, including insider trading laws.

In addition to adopting the Code, the Board has adopted the Corporation's disclosure policy that covers the accurate and timely communication of all important information and includes procedures for communicating with analysts by conference calls.

The Audit Committee has adopted a whistle blower policy in accordance with National Instrument 52-110 *Audit Committees* to establish procedures for the treatment of complaints received by the Corporation regarding accounting and auditing matters. The whistle blower policy allows employees of the Corporation to confidentially report any accounting and auditing concerns they have with respect to the Corporation.

ITEM 6. NOMINATION OF DIRECTORS

The duties of a nominating committee set out in NP 58-201 are performed by the Governance & Human Resources Committee pursuant to its charter.

New Board nominees must have a track record in general business management, special expertise in an area of strategic interest to the Corporation, the ability to devote the time required, show support for the Corporation's mission and strategic objectives, and a willingness to serve. The Board reviews the composition and size of the Board once a year.

The responsibility for nominating new nominees to the Board remains with the full Board.

The Board is responsible for the ongoing assessment of the Board, committees and individual directors. The objective of this assessment is to maintain the structure and composition of the Board and committees in a way that provides, in the judgment of the Board, the best mix of competencies, skills and experience to provide the overall stewardship of the Corporation. The

Board identifies and recommends suitable director candidates. The Board defines the relationship, roles and authority of the Board and management.

ITEM 7. COMPENSATION

The Board has determined that the directors and officers should be compensated in a form and amount which is appropriate for comparative organizations, having regard for such matters as time commitment, responsibility and trends in director and executive compensation. The Governance & Human Resources Committee reviews and recommends to the Board directors' compensation once per year. For the fiscal year ended September 30, 2018, independent directors received their compensation in the form of share based compensation. Beginning in April 2010, upon receipt of regulatory approval, directors began receiving receive a portion of compensation in Common Shares. The Corporation will continue to pay their independent directors this proportionate non-cash compensation as the Corporation's Governance & Human Resource Committee affirmed this structure on January 23, 2012 and May 23, 2013, May 23, 2014, July 24, 2015, and January 13, 2016. The Exchange is notified of the quarterly issuance of shares. For more information regarding compensation paid to directors and executives during the financial year ended September 30, 2019, see the section titled "Statement of Executive Compensation - Compensation of Directors" in the attached Information Circular.

ITEM 8. BOARD COMMITTEES

Other than the Audit Committee, the Board has established the Governance & Human Resources Committee as well as the Development Committee. The Development Committee members consist of Arthur Willms (Chairman), Philip Hughes and Michael O'Connor. The Governance & Human Resources Committee members consist of Philip G. Hughes (Chairman), David Rehn, Joseph Houssian and Michael O'Connor.

ITEM 9. ASSESSMENTS

Currently, the Board takes responsibility for monitoring and assessing its effectiveness and the performance of individual directors, its committees, including reviewing the Board's decision-making processes and quality and adequacy of information provided by management.

SCHEDULE “B”

NAIKUN WIND ENERGY GROUP INC. (the “Corporation”) AUDIT COMMITTEE CHARTER MANDATE

The primary function of the Corporation’s audit committee (the “**Committee**”) is to assist its board of directors (“**Board of Directors**”) in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to regulatory authorities and Shareholders, the Corporation’s systems of internal controls regarding finance and accounting and the Corporation’s auditing, accounting and financial reporting processes. The Committee’s primary duties and responsibilities are to:

1. Serve as an independent and objective party to monitor the Corporation’s financial reporting and internal control system and to review the Corporation’s financial statements;
2. Review and appraise the performance of the Corporation’s external auditors (“**Auditors**”); and
3. Provide an open avenue of communication among the Auditors, financial and senior management and the Board of Directors.

Composition

The Committee shall be comprised of a minimum of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee. At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Audit Committee Charter, the definition of “financially literate” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation’s financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual Shareholders’ meeting. Unless a chairman is elected by the full Board of Directors, the members of the Committee may designate a chairman by a majority vote of the Committee.

Meetings

The Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the Auditors in separate sessions.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Documents/Reports Review

- (a) Review and update the Charter annually.
- (b) Review the Corporation’s financial statements, management’s discussion and analysis and any annual and interim earnings, press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the Auditors.

Auditors

- (a) Review annually, the performance of the Auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the Shareholders of the Corporation.

- (b) Recommend to the Board of Directors the selection and, where applicable, the replacement of the Auditors nominated annually for Shareholder approval.
- (c) Review with management and the Auditors the audit plan for the year-end financial statements and intended template for such statements.
- (d) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Corporation's Auditors.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

Financial Reporting Processes

- (a) In consultation with the Auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external.
- (b) Consider the Auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
- (c) Consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the Auditors and management.
- (d) Following completion of the annual audit, review separately with management and the Auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- (e) Review any significant disagreement among management and the Auditors in connection with the preparation of the financial statements.
- (f) Review with the Auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- (g) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.
- (h) Review the Corporation's certification process for financial statement preparation.
- (i) Establish a procedure and monitor reports and results pursuant to the Corporation's Whistle Blower Policy for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Quorum

The number of members required to achieve quorum at a meeting of the Audit Committee members is two. Should the number of members of the Audit Committee be amended from four to any other number then a change to quorum will be considered and possibly amended at such time.

Other

Review any related-party transactions.

SCHEDULE “C”

TRANSACTION RESOLUTION

RESOLUTION OF THE SHAREHOLDERS OF NAIKUN WIND ENERGY GROUP INC.

WHEREAS NaiKun Wind Energy Group Inc. (the “**Corporation**”) and Northland Power Inc. (“**Northland**”) entered into a Share Purchase Agreement dated March 27, 2020 (the “**Purchase Agreement**”), pursuant to which the Corporation agreed, subject to the terms and conditions contained in the Purchase Agreement, to sell the NaiKun Offshore Wind Farm located in the Hecate Strait off the coast of British Columbia, Canada (the “**Project**”) to Northland for a purchase price payable in accordance with the terms of the Purchase Agreement, all as more particularly described in the Corporation’s management information circular dated April 16, 2020 (the “**Transaction**”).

BE IT RESOLVED, AS A SPECIAL RESOLUTION, THAT:

- (a) The transactions contemplated by the Purchase Agreement be and are hereby approved and authorized.
- (b) The Corporation be, and hereby is, authorized and empowered to perform all of its obligations under the Purchase Agreement, including but not limited to, the transactions contemplated by the Purchase Agreement.
- (c) Any one director or officer of the Corporation (each such person, an “**Authorized Officer**”) be and is hereby authorized and directed, for and on behalf and in the name of the Corporation, to execute and deliver, whether under corporate seal of the Corporation or otherwise, all such agreements, forms, waivers, notices, certificates, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful to implement this special resolution and to give effect to the Purchase Agreement and the closing of the Transaction in accordance with the terms of the Purchase Agreement, including: (i) all actions required to be taken by or on behalf of the Corporation and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and (ii) the signing of the certificates, consents and other documents or declarations required under the Purchase Agreement or otherwise to be entered into by the Corporation, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.
- (d) Notwithstanding that these resolutions have been duly passed and the Transaction is approved by the shareholders of the Corporation, or that the Transaction may be approved by regulatory authorities having jurisdiction over the common shares of the Corporation, the Board of Directors of the Corporation is hereby authorized and empowered to amend the Purchase Agreement as may be necessary to implement the Transaction, in their sole discretion, without further approval by the shareholders of the Corporation.
- (e) The Purchase Agreement and all transactions contemplated therein, and the actions of the directors of the Corporation in approving the Purchase Agreement and the actions of the directors and officers of the Corporation in executing and delivering the Purchase Agreement and causing the performance by the Corporation of its obligations thereunder, are approved, ratified and confirmed.
- (f) The Board of Directors of the Corporation may, in their sole discretion and without further approval from the shareholders of the Corporation, revoke this special resolution or postpone the implementation of this special resolution.
- (g) The omission from these resolutions of any agreement or other arrangement contemplated by any of the agreements or instruments described in the foregoing resolutions or any action to be taken in accordance with any requirements of any of the agreements or instruments described in the foregoing resolutions shall in no manner derogate from the authority of the Authorized Officers to take all actions necessary, desirable, advisable or appropriate to consummate, effectuate, carry out or further the transactions contemplated by and the intent and purposes of the foregoing resolutions.

SCHEDULE “D”

DISSENT RIGHTS AND PROCEDURES

Division 2 of Part 8 (sections 237 to 247) of the British Columbia *Business Corporations Act*, S.B.C. 2002, c.57

Definitions and application

237 (1) In this Division:

“**dissenter**” means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

“**notice shares**” means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

“**payout value**” means,

(a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,

(b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291 (2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement,

(c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by a court order; or

(d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations,

excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

(a) the court orders otherwise, or

(b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1) (g), the court orders otherwise or the resolution provides otherwise.

Right to dissent

238 (1) A shareholder of a company, whether or not the shareholder’s shares carry the right to vote, is entitled to dissent as follows:

(a) under section 260, in respect of a resolution to alter the articles

(i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on, or

(ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company’s community purposes within the meaning of section 51.91;

(b) under section 272, in respect of a resolution to adopt an amalgamation agreement;

(c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;

- (d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;
 - (e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company's undertaking;
 - (f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;
 - (g) in respect of any other resolution, if dissent is authorized by the resolution;
 - (h) in respect of any court order that permits dissent.
- (2) A shareholder wishing to dissent must
- (a) prepare a separate notice of dissent under section 242 for
 - (i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and
 - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,
 - (b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and
 - (c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.
- (3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must
- (a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and
 - (b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

Waiver of right to dissent

239 (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

- (2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must
- (a) provide to the company a separate waiver for
 - (i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and
 - (ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and
 - (b) identify in each waiver the person on whose behalf the waiver is made.
- (3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to
- (a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the

beneficial owner, and

(b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

Notice of resolution

240 (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.

(2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

(a) a copy of the resolution,

(b) a statement advising of the right to send a notice of dissent, and

(c) if the resolution has passed, notification of that fact and the date on which it was passed.

(4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

Notice of court orders

241 If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

(a) a copy of the entered order, and

(b) a statement advising of the right to send a notice of dissent.

Notice of dissent

242 (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,

(a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,

(b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or

(c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of

(i) the date on which the shareholder learns that the resolution was passed, and

(ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company

(a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or

(b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company

(a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or

(b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.

(4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:

(a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;

(b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;

(c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and

(i) the name and address of the beneficial owner, and

(ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.

(5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

Notice of intention to proceed

243 (1) A company that receives a notice of dissent under section 242 from a dissenter must,

(a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of

(i) the date on which the company forms the intention to proceed, and

(ii) the date on which the notice of dissent was received, or

(b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.

(2) A notice sent under subsection (1) (a) or (b) of this section must

(a) be dated not earlier than the date on which the notice is sent,

(b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and

(c) advise the dissenter of the manner in which dissent is to be completed under section 244.

Completion of dissent

244 (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,

(a) a written statement that the dissenter requires the company to purchase all of the notice shares,

(b) the certificates, if any, representing the notice shares, and

(c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.

(2) The written statement referred to in subsection (1) (c) must

(a) be signed by the beneficial owner on whose behalf dissent is being exercised, and

(b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) that dissent is being exercised in respect of all of those other shares.

(3) After the dissenter has complied with subsection (1),

(a) the dissenter is deemed to have sold to the company the notice shares, and

(b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.

(4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.

(5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.

(6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

Payment for notice shares

245 (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

(a) promptly pay that amount to the dissenter, or

(b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may

(a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,

(b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and

(c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must

(a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or

(b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),

(a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or

(b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of

the company but in priority to its shareholders.

(5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that

- (a) the company is insolvent, or
- (b) the payment would render the company insolvent.

Loss of right to dissent

246 The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;
- (b) the resolution in respect of which the notice of dissent was sent does not pass;
- (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

Shareholders entitled to return of shares and rights

247 If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1) (b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

NAIKUN WIND ENERGY GROUP INC.

Audited Consolidated Financial Statements

For the years ended September 30, 2019 and 2018





MANAGEMENT'S REPORT

To the Shareholders of

NaiKun Wind Energy Group Inc. (the "Company")

The preparation and presentation of the Company's consolidated financial statements as at September 30, 2019 and 2018 is the responsibility of management. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and where appropriate include managements best estimates and judgments.

Management is responsible for installing and maintaining a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded, transactions are authorized and financial information is reliable.

Independent auditors are appointed by the Company's shareholders to give an opinion on the financial statements based upon their scope of examination as outlined in their Auditor's Report.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility with the assistance of the Audit Committee. The Audit Committee meets with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and recommend that the financial statements be presented to the Board of Directors for approval.

Signed: "Wilbur J. Lang"

Wilbur J. Lang - Chief Financial Officer



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of NaiKun Wind Energy Group Inc.

Opinion

We have audited the consolidated financial statements of NaiKun Wind Energy Group Inc. ("the Company"), which comprise:

- the consolidated statements of financial position as at September 30, 2019 and September 30, 2018;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity (deficiency) for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2019 and September 30, 2018, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) in the financial statements, which describes that the Entity has negative working capital and a shareholders' deficiency at September 30, 2019 and has sustained a loss from operations and negative cash flow from operations for the years ended September 30, 2019 and 2018.

As stated in Note 2(a) in the financial statements, these events or conditions, along with other matters as set forth in Note 2(a) in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Robert Ryan Owsnett, CPA, CA

Vancouver, Canada

January 24, 2020

NAIKUN WIND ENERGY GROUP INC.
Consolidated Statements of Financial Position

	September 30, 2019	September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 232,937	\$ 91,045
Accounts receivable	7,605	4,753
Investment	-	117,000
Prepaid expenses and other current assets	8,898	8,898
	249,440	221,696
Non-current assets		
Deposit - Natural Resources Canada - Metmast	360,000	360,000
Total assets	\$ 609,440	\$ 581,696
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 307,020	\$ 81,422
Short term loan (note 9)	300,000	-
Deferred compensation payable (note 8 and 11)	825,000	605,000
	1,432,020	686,422
Non-Current Liabilities		
Asset retirement obligation (note 5)	400,000	400,000
Total liabilities	1,832,020	1,086,422
Shareholders' Deficiency		
Share capital (note 6(a))	47,500,458	46,933,789
Contributed surplus	2,418,548	2,447,761
Deficit	(51,141,586)	(49,886,276)
Total shareholders' deficiency	(1,222,580)	(504,726)
Total liabilities & shareholders' deficiency	\$ 609,440	\$ 581,696

Nature of operations and going concern (notes 1 and 2(a))
 Commitments (note 10)
 Contingent liabilities (note 11)
 Subsequent events (notes 6(b), 6(c), 8,9, and 15)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors and authorized for issue on January 24, 2020.

Director: "Dave Rehn"

Director: "Michael O'Connor"

NAIKUN WIND ENERGY GROUP INC.**Consolidated Statements of Loss and Comprehensive Loss
For the years ended September 30, 2019 and 2018**

	September 30, 2019	September 30, 2018
Expenses		
Compensation (note 8)	\$ 604,034	\$ 594,420
Consultant	103,800	-
Interest and borrowing costs (note 9)	40,281	-
Office and administration	130,552	123,443
Public and community relations	200,497	171,878
Professional fees	174,372	44,534
Travel	48,414	53,640
Loss before the following:	(1,301,950)	(987,915)
Other Income		
Other income (note 10)	50,000	280,000
Investment income	1,953	2,051
Fair value loss on financial instruments (note 14)	(5,313)	(141,000)
	46,640	141,051
Loss and comprehensive loss for the period	\$ (1,255,310)	\$ (846,864)
Loss per share, basic and diluted	\$ (0.02)	\$ (0.01)
Weighted average number of shares outstanding	66,060,799	64,703,095

The accompanying notes are an integral part of these consolidated financial statements.

NAIKUN WIND ENERGY GROUP INC.**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)****For the years ended September 30, 2019 and 2018**

	Number of Common Shares (Notes 6 and 8)	Share Capital (Notes 6 and 8)	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
Balance, September 30, 2017	64,435,597	\$ 46,892,696	\$ 2,348,203	\$ (49,039,412)	\$ 201,487
Total comprehensive loss for the year	-	-	-	(846,864)	(846,864)
Share based portion of compensation	483,872	41,093	-	-	41,093
Share based compensation expense	-	-	99,558	-	99,558
Balance, September 30, 2018	64,919,469	46,933,789	2,447,761	(49,886,276)	(504,726)
Total comprehensive loss for the year	-	-	-	(1,255,310)	(1,255,310)
Share based portion of compensation	607,628	43,125	-	-	43,125
Share based compensation expense	-	-	64,500	-	64,500
Share based consulting expense	-	-	16,300	-	16,300
Share based borrowing expense	-	-	23,700	-	23,700
Warrants exercised	3,726,386	523,544	(133,713)	-	389,831
Balance, September 30, 2019	69,253,483	\$ 47,500,458	\$ 2,418,548	\$ (51,141,586)	\$ (1,222,580)

The accompanying notes are an integral part of these consolidated financial statements.

NAIKUN WIND ENERGY GROUP INC.
Consolidated Statements of Cash Flows
For the years ended September 30, 2019 and 2018

	September 30, 2019	September 30, 2018
Cash flows provided by (used in)		
OPERATING ACTIVITIES		
Loss for the year	\$ (1,255,310)	\$ (846,864)
Items not affecting cash		
Share-based compensation (notes 6(b) and 8)	107,625	140,651
Share-based borrowing costs (note 9)	23,700	-
Share-based consulting costs (note 6(b))	16,300	-
Fair value loss on financial instruments	5,313	141,000
Changes in non-cash working capital		
Bank overdraft	-	(21,097)
Receivables	(2,852)	29,146
Accounts payable and accrued liabilities	225,598	14,568
Deferred compensation payable	220,000	220,000
Net cash used in operating activities	(659,626)	(322,596)
FINANCING ACTIVITIES		
Proceeds from exercise of warrants	389,831	-
Proceeds from sale of financial instruments	111,687	-
Proceeds from short term loan	300,000	-
Net cash from financing activities	801,518	-
Increase (decrease) in cash and cash equivalents	141,892	(322,596)
Cash and cash equivalents, beginning of year	91,045	413,641
Cash and cash equivalents, end of period	\$ 232,937	\$ 91,045

The accompanying notes are an integral part of these consolidated financial statements.

NAIKUN WIND ENERGY GROUP INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2019 and 2018

1. Corporate Information

NaiKun Wind Energy Group Inc. ("NaiKun Wind" or the "Company") is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange. The Company's registered office is at Suite 570, 355 Burrard Street, Vancouver, BC, V6C 2G8. The Company's primary business is the development of renewable energy projects. The Company is currently developing a project (the "NaiKun Wind Project") on the north coast of British Columbia in Hecate Strait. As the Company is in the development phase, it has not generated any revenue from the sale of wind energy.

On March 31, 2010, NaiKun Wind learned that its offshore wind energy project was no longer under consideration in BC Hydro's Clean Power Call procurement process. Following that decision, the Board directed a review of the alternatives open to the Company. These were broad ranging and included continuing to advance the wind project, business combinations, joint ventures, and the sale of all or part of the Company. The Board and Management were assisted in this review by Cormark Securities and Energy+Environmental Economics (E3). It was determined that the best interest of the shareholders would be served by continuing to advance the wind project, reducing the day to day costs of operating the Company, and continuing to look for partnerships and business opportunities in the renewable energy field. The Company cautions that there can be no assurance that these strategic efforts will ultimately result in an offshore wind project being completed.

2. Basis of presentation and going concern

(a) Going concern

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize, in the foreseeable future, its assets and discharge its liabilities in the normal course of business as they come due. The Company has recurring operating losses, negative cash flow from operations, working capital deficiency of \$1,182,580, and a shareholders' deficiency of \$1,222,580 which includes an accumulated deficit of \$51,141,586 (2018 - \$49,886,276). The Company also expects to incur losses in future years until it is able to sell or find a strategic partner for its project and the timing of such events cannot be predicted with certainty.

The Company's ability to continue as a going concern is dependent on its ability to obtain additional financing or an investment by a strategic partner in order to meet its planned business objectives and be able to advance the offshore wind project. The Company will need to raise additional funds through grants, strategic collaborations, public or private equity, debt financing, or other funding sources. On July 8, 2019 the Company signed an indicative offer with a major offshore wind development company to develop the wind project in Hecate Strait and the parties are working to negotiate a definitive agreement. Additional funding will be required and may not be available on acceptable terms, or at all, and may be dilutive to shareholder interests. If the Company is unable to generate positive cash flows or obtain adequate financing, the Company would need to curtail operations. These factors may cast significant doubt on the Company's ability to continue as a going concern. If the going concern assumption is not appropriate for these financial statements, adjustments affecting the carrying values of assets, liabilities, reported net losses and statement of financial position classifications may be required and such adjustments could be material.

(b) Statement of compliance

These consolidated financial statement have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The policies applied in these consolidated financial statements are based on IFRS applicable for the Company's year ended September 30, 2019 as issued and outstanding as of January 24, 2020, the date the Board of Directors approved the financial statements.

(c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting periods. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future period affected.

Areas requiring the use of management estimates relate to the amount of asset retirement obligations, the determination of share compensation expense associated with stock options and warrants, and the Company's ability to utilize tax losses. A discussion of these estimates is provided in the relevant accounting policy notes and in notes 5 and 6 respectively. Significant judgment is applied in the determination of the Company's ability to continue as a going concern as discussed in note 2(a). Management assesses its ability to continue as a going concern taking into account its forecast cash requirements, its budgeted non-discretionary expenditures, its available cash and cash equivalents, and expected sources of financing.

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3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by NaiKun Wind and its subsidiaries.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: NaiKun Wind Development Inc. ("Devco"); NaiKun Wind Operating Inc. ("Opco"); and NaiKun Wind Generating Inc. ("Genco"). Opco and Genco are inactive companies with no material assets or liabilities. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

b) Foreign currency translation

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. Foreign exchange gains and losses resulting from the settlements of such transactions are recognized in the income statement. At each financial reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary assets and liabilities are translated using the historical rate on the date that the fair value was determined.

c) Cash and cash equivalents

Cash and cash equivalents include short term investments that are readily convertible into cash with original maturities of three months or less. Bank overdraft represents cheques issued in excess of funds on deposit with an individual financial institution.

d) Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with borrowing costs and the future cost of dismantling and removing the asset. Such cost includes the cost of replacing part of the plant and equipment, significant overhauls, and borrowing costs for long-term construction projects if the recognition criteria are met. The cost of replacing a part of an item of property, plant, and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company. All other repair and maintenance costs are recognized in the statement of comprehensive loss as incurred.

Residual values, useful lives and methods of depreciation are reviewed at each period year end and adjusted prospectively, if appropriate. When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate major components.

The estimated useful lives and depreciation methods for the current and comparative periods are as follows:

Wind measuring equipment	5 years straight line
Office equipment	3 - 5 years straight line

All items of property, plant and equipment have been fully amortized or written-off in prior years.

e) Asset retirement obligations

The Company recognizes its legal and constructive obligations associated with the future costs of removal and abandonment of its long-lived assets in the period in which the obligation is incurred. The fair value of the asset retirement obligation ("ARO") is recorded as a liability in the period when those future costs can be reasonably estimated and the carrying value of the related long-lived asset is increased by the corresponding amount. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Any difference between the actual costs incurred upon settlement of the ARO and the recorded liability is recognized as a gain or loss in that period. Changes in estimates of the liability are reflected as a change in the related asset unless the asset has been reduced to zero, in which case, any excess amount would be included in the statement of comprehensive loss. Significant judgments and estimates are involved in forming expectations of the amount and timing of these obligations.

f) Impairment of non-financial assets

Non-financial assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset, for which the estimated of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

g) Income taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in income except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiaries where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future, or on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

h) Interest income

Interest earned on the Company's cash and cash equivalent balances is recorded as investment income on an accrual basis.

i) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. If the Company had reported positive earnings, diluted earnings per share would be calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. As the Company has had a net loss for all periods presented herein, the unexercised stock options and share purchase warrants, disclosed in notes 6(b) and 6(c), have not been included in any calculations of loss per share as their inclusion would have been anti-dilutive.

j) Share based payments

Compensation expense for stock options granted to employees or consultants is measured at fair value, using the Black-Scholes valuation model, factoring in amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of the stock options, the fair value of the Company's stock and the risk-free interest rate. The estimated fair values of stock-based compensation are charged to expense over the vesting period with offsetting amounts recognized as contributed surplus. The value assigned to stock options shown on the statement of financial position as contributed surplus is subsequently reduced if the options are exercised, and the amount so reduced is then credited to share capital. Any values assigned to stock options that have expired remain in contributed surplus.

k) Financial instruments

Under IFRS 9 Financial Instruments, financial assets and liabilities are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

Recognition, classification and measurement

All financial assets are initially recorded at fair value and subsequently classified as measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit and loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL.

- the asset is held within a business model whose objective is to hold the asset to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

All financial liabilities are initially recorded at fair value and subsequently classified as measured at amortized cost or FVTPL. On initial recognition, the Company may irrevocably designate a financial liability at FVTPL when doing so results in more relevant information, because either:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed with its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

For financial assets classified as measured at FVTPL or designated at FVTPL, changes in fair value are recognized in profit or loss. For financial assets classified as measured at FVOCI or an irrevocable election has been made, changes in fair value are recognized in other comprehensive income or loss. For financial assets and other financial liabilities measured at amortized cost, interest income and interest expense is calculated using the effective interest method and is recognized in profit or loss.

Business model assessment:

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because the best this best reflects the way the asset is managed and information is provided to management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to management;
- how managers of the business are compensated;
- whether the assets are held for trading purposes;
- the risks that affect the performance of the financial assets held within the business model and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sale activity.

Contractual cash flow characteristics assessment:

In assessing whether the contractual cash flows are solely payments of principal and interest, "principal" is defined as the fair value of the financial asset on initial recognition and "interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The Company considers the contractual terms of the financial asset and whether the asset contains contractual terms that could change the timing or amount of cash flows such that it would not meet the condition of principal and interest. Contractual terms considered in this assessment include contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, terms that limit the claim to cash flows from specified assets, and features that modify the consideration from time value of money.

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Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issuance costs. If an equity instrument is comprised of a common share and a share purchase warrant, the gross proceeds are allocated between share capital for the common share component, and contributed surplus, for the warrant component, on a relative fair value basis where the value of the warrants is estimated using a Black-Scholes valuation model.

Fair value measurements

The fair value of financial instruments that are measured subsequent to initial recognition at their fair value, is measured within a 'fair value hierarchy' which has the following levels:

- (i) Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities
- (ii) Level 2: valuation techniques using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie: as prices) or indirectly (ie: derived from prices)
- (iii) Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

l) Impairment of financial assets:

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets.

Financial instruments and contract assets

The Company recognizes loss allowances for expected credit losses (ECL) on:

- financial assets measured at amortized costs;
- debt investments measured at fair value through other comprehensive income; and
- contracted assets

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which the credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. ECLs are probability-weighted estimate of credit losses, and credit losses are measured as the present value of cash shortfalls from a financial asset.

The Company determines whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating lifetime ECLs, by considering reasonably available quantitative and qualitative information based on the Company's credit risk experience, forward looking information, and other reasonable estimates.

m) Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 has replaced IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue - Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue, at a point in time or over time. The model features a contract-based, five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognition.

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n) Accounting standards issued by not yet adopted

IFRS 16 Leases was issued in January 2016. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 *Leases* and introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months. A lessee is required to recognize a right-of-use asset representing the right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on October 1, 2019. Currently the Company has no lease obligations more than 12 months and does not expect to enter into any in the near future and thus does not expect there to be a significant impact associated with the adoption of IFRS 16.

4. Changes in significant accounting policies

The Company has initially adopted IFRS 15 Revenue from Contract with Customers and IFRS 9 Financial Instruments from October 1, 2018. The effect of initially adopting these standards is mainly attributed to the following:

- IFRS 15 has no impact on the Company's financials as it is in a development phase and no revenues have been generated.
- IFRS 9 reclassifies certain financial assets and financial liabilities.

IFRS 9 Financial Instruments:

IFRS 9 sets out requirements for recognizing and measuring financial assets and financial liabilities and replaces IAS 39 Financial Instruments: Recognition and Measurement

The Company has adopted IFRS 9 with the effect of initially applying this standard recognized at the date of initial application (i.e. October 1, 2018). The impact of IFRS 9 on the classification and measurement of financial assets and liabilities is set out below.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available for sale. Under IFRS 9, on initial recognition, the classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics, IFRS 9 replaces classification categories applicable under IAS 39 with amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL).

The following table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at October 1, 2018.

				Balance at September 30, 2018 under IAS 39 and IFRS 9
	Original classification under IAS 39		New classification under IFRS 9	
Financial assets				
Cash	Loans and receivables	Amortized cost	\$	91,045
Accounts Receivable	Loans and receivables	Amortized cost		4,753
Investment	Fair value through profit and loss	Fair value through profit and loss		117,000
Deposits	Loans and receivables	Amortized cost		360,000
Total financial assets			\$	572,798
Financial liabilities				
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	\$	81,422
Deferred compensation payable	Amortized cost	Amortized cost		605,000
Total financial liabilities			\$	686,422

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5. Asset Retirement Obligation ("ARO")

The Company has recorded an ARO in regards to its wind measuring equipment installed in Hecate Strait. In fiscal 2013 the Company did an analysis of the methodology of removing this equipment and received an estimate of the related costs from a marine contractor in the region. Based on this analysis the costs are currently estimated to be \$400,000. The settlement of the obligation was expected to occur in fiscal 2013, however, until such time as an Electricity Purchase Agreement is secured, the Company continues to collect important meteorological data to strengthen the Company's understanding of the wind resource and remains obligated to remove such equipment at a future undetermined date.

6. Share Capital

a) Authorized Capital

Authorized: Unlimited common shares of no par value
20,000,000 first preferred shares of no par value (none of which have been issued)

b) Stock Options

The Company has a stock option plan ("Option Plan") that provides for the issuance of options to its directors, officers, employees, and consultants. Compensation costs attributable to share options granted to employees, directors or consultants are measured at fair value at the grant date, using the Black-Scholes formula, and expensed with a corresponding increase to contributed surplus over the vesting period.

The Option Plan allows the maximum number of common shares that may be reserved for issuance to be 10% of the total number of issued and outstanding common shares on the date the stock options are granted.

	Options Outstanding and Exercisable	Expiry Date	Weighted Average Exercise Price
Balance, September 30, 2017	1,950,000		\$ 0.103
Issued - December 5, 2017	1,400,000	1-Nov-2027	0.095
Balance, September 30, 2018	3,350,000		\$ 0.100
Issued - January 24, 2019	1,250,000	23-Jan-2029	0.100
Issued - February 22, 2019	1,000,000	22-Feb-2021	0.100
Forfeited	(300,000)	2-Jan-2021	0.100
Balance, September 30, 2019	5,300,000		\$ 0.100

On January 24, 2019 stock options were granted to directors and officers with an exercise price of \$0.10, an expiry date of January 23, 2029, vesting 50% at issuance and 50% in 180 days. On February 22, 2019 stock options were issued to PriceWaterhouseCoopers ("PwC") for consulting services (note 10), with an exercise price of \$0.10, an expiry date of February 22, 2021, vesting 40% at issuance and 10% monthly thereafter. Stock options granted during the year ending September 30, 2018 were issued at an exercise price of \$0.095 with an expiry date of November 1, 2027, vesting 50% at time of issue and 50% in 180 days.

As at September 30, 2019, the Company had the following outstanding stock options:

Issue date	Options outstanding	Exercise price	Expiry date
February 5, 2015	200,000	\$0.135	February 5, 2020
October 7, 2016	1,000,000	\$0.10	January 2, 2021
October 7, 2016	450,000	\$0.10	October 6, 2026
December 5, 2017	1,400,000	\$0.095	November 1, 2027
January 24, 2019	1,250,000	\$0.10	January 24, 2029
February 22, 2019	1,000,000	\$0.10	February 22, 2021

At September 30, 2019 all of the outstanding stock options were fully exercisable.

Compensation costs attributable to stock options granted to employees, directors and consultants are measured at fair value at the grant date, using the Black-Scholes valuation model, and are expensed with a corresponding increase to contributed surplus over the vesting period. The inputs used in the measurement of the fair values at grant date were as follows.

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	2019 Directors/Officer 1,250,000 stock options	2019 PwC 1,000,000 stock options	2018 Directors/Officer 1,400,000 stock options
Fair value at grant date	\$0.052	\$0.016	\$0.071
Share price at grant date	\$0.07	\$0.07	\$0.095
Exercise price	\$0.10	\$0.10	\$0.095
Expected volatility (weighted-average)	74%	61%	71.0%
Expected life in years	10	2	9.91
Risk-free interest rate	1.92%	1.78%	0.76%

During the year ended September 30, 2019, share based compensation expense associated with stock options was \$64,500 (2018 - \$99,558) and share based consulting expense associated with stock options was \$16,300 (2018 - nil).

Subsequent to the year ended September 30, 2019, 2,700,000 stock options were exercised for total proceeds of \$275,750 and 350,000 forfeited. As at January 24, 2020 there are a total of 2,250,000 stock options outstanding.

c) Warrants

As of September 30, 2019 the Company has the following common share purchase warrants outstanding totalling 3,000,000 (2018 - 12,039,035):

Issue date	Warrants outstanding	Exercise price	Expiry date
Issued - July 14, 2014	7,500,000	\$0.10	July 15, 2019
Issued - September 7, 2016	4,539,035	\$0.15	September 7, 2019
Balance, September 30, 2017	12,039,035	\$0.12	
Balance, September 30, 2018	12,039,035	\$0.12	
Issued - January 24, 2019	3,000,000	\$0.10	January 24, 2020
Exercised	(3,382,937)	\$0.10	September 7, 2019
Exercised	(343,449)	\$0.15	September 7, 2019
Forfeited	(812,649)	\$0.15	September 7, 2019
Forfeited	(7,500,000)	\$0.10	July 15, 2019
Balance, September 30, 2019	3,000,000	\$0.10	January 24, 2020

During the year ended September 30, 2019, as part of securing a loan for \$300,000, warrants were issued at an exercise price of \$0.10, an expiry date of January 24, 2020, fully vesting at issuance. (see note 9)

During the year ended September 30, 2019, 3,651,308 outstanding warrants that were to expire on September 7, 2019 were repriced from an exercise price of \$0.15 per common share to \$0.10 per common share, with 3,382,937 of such warrants being exercised prior to expiry.

Subsequent to the year ended September 30, 2019, 3,000,000 warrants were exercised for total proceeds of \$300,000 and the short term loan associated with these warrants was paid in full. As at January 24, 2020 there are no warrants outstanding.

7. Income Tax Expense

- a) A reconciliation of income taxes at statutory rates to actual income taxes is as follow:

	September 30, 2019	September 30, 2018
Income (loss) before income taxes	\$ (1,255,310)	\$ (846,864)
Statutory rate	27.00%	26.67%
Expected income tax expense (recovery)	(338,934)	(225,858)
Reconciliation of effective tax rate:		
Change in statutory tax rates	-	(137,778)
Permanent differences	63,716	37,930
Change in unrecognized tax benefits	262,055	327,267
Loss on sale of investment	13,163	
Other		(1,561)
Income tax expense	\$ -	\$ -

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- b) Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	September 30, 2019	September 30, 2018
Non-capital losses and resource deductions	\$ 40,770,000	\$ 39,920,000
Other deductible temporary differences	1,436,000	1,315,000
	<u>\$ 42,206,000</u>	<u>\$ 41,235,000</u>

- c) As at September 30, 2019, the Company has non-capital losses carried forward for Canadian tax purposes totaling approximately \$38,633,000, (2018 - \$38,631,000) for which nil (2018 - nil) have been recognized as deferred tax assets. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income in relevant jurisdictions. The gross amount of tax losses carried forward expire as follows:

Expiry date	\$
2026	146,000
2027	935,000
2028	8,449,000
2029	6,609,000
2030	5,532,000
2031	2,400,000
2032	1,651,000
2033	1,517,000
2034	1,519,000
2035	8,437,000
2036	456,000
2037	572,000
2038	410,000
	<u>\$ 38,633,000</u>

- d) As at September 30, 2019, the Company had deductible temporary differences related to investments in subsidiaries of \$3,958,000 (2018 - \$3,958,000) that have not been recognized because the Company controls the timing of the reversal of the temporary differences and it is uncertain as to whether taxable profit will be available against which the temporary differences can be utilized.

8. Related Party Transactions

Key management compensation to the Chief Executive Officer ("CEO"), Chief Financial Officer, and the Board of Directors for the years ending September 30, 2019 and 2018 are as follows:

	2019	2018
Wages and benefits	\$496,409	\$453,769
Share-based compensation	107,625	140,651
	<u>\$604,034</u>	<u>\$594,420</u>

During the year ended September 30, 2019 the Company issued 607,628 common shares (2018 - 483,872 common shares) with a fair value of \$43,125 (2018 - \$41,093) to directors as their annual compensation. On January 24, 2019, 1,250,000 stock options with a fair value of \$64,500 were issued to officers and directors and were recorded in compensation expense.

As at September 30, 2019 \$10,781 (2018 - \$10,781) in directors remuneration was accrued in accounts payable and accrued liabilities and was subsequently paid by issuance of common shares of the Company.

As at September 30, 2019 \$825,000 (2018 - \$605,000) was payable to the Company's CEO and included in current liabilities.

As at September 30, 2019 the Company accrued \$16,581 in interest costs related to a short term loan from one of the Company's directors. On January 17, 2020 the loan and interest entitlement were paid in full.

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9. Short Term Loan

To provide near term funding of the Company's activities, the Company entered into a loan agreement dated January 24, 2019 with one of the Company's directors ("Lender") to provide financing of \$300,000. The terms of the loan include an interest rate of 8% per annum and a maturity date of July 31, 2019 which has subsequently been extended. Concurrently with entering into the loan agreement, the Company and the Lender entered into a general security agreement pursuant to which the Company grants the Lender a general security interest in all of the Company's present and after-acquired property and a floating charge over all present and future land, interests in land, and real property as security for the loan indebtedness. In connection with the loan, the Company issued the Lender 3,000,000 non-transferrable warrants to purchase common shares in the capital of the Company at an exercise price of \$0.10 per common share which vested immediately and are exercisable for one year from the date of issuance. The \$23,700 of costs attributed to the fair value of the warrants at the grant date, using the Black-Scholes valuation model, are included in Interest and borrowing costs with a corresponding increase to contributed surplus. The significant assumptions used in the measurement of the fair value of warrants issued were an expected volatility of 57%, an expected life of one year and a risk-free interest rate of 1.86%.

Subsequent to September 30, 2019, the 3,000,000 warrants were exercised and on January 17, 2020 the loan was paid in full.

10. Commitments and other income

On July 8, 2019 the Company signed an indicative offer with a major offshore wind development company to develop its wind resource. In connection with the signing of such agreement the Company received a non-refundable payment of \$50,000 which has been recorded as other income.

During the year ended September 30, 2018, the Company received \$280,000 in monthly fees in accordance with the terms of an agreement with Orsted Energy ("Orsted") to negotiate a joint development agreement for the NaiKun Wind Project. The monthly fees were recorded in other income and the agreement with Orsted was mutually terminated.

The Company entered into a consulting agreement with PwC in relation to assisting in identifying and securing a strategic partner for the NaiKun Wind Project. In exchange for services PwC received fixed monthly fees of \$12,500 and 1,000,000 stock options (note 6(b)) which PwC will exercise equal to the value of fees up to \$100,000. Additionally PwC will be entitled to 2% of any proceeds received by NaiKun for a period of 24 months, subject to a maximum fee of \$500,000.

11. Contingent Liabilities

The Company's deferred compensation plan ("Deferred Plan") was designed to attract and retain qualified personnel while conserving cash during the Company's development stage. The Deferred Plan deferred payment of the majority of the Company's salary expenses prior to 2009 until financial close associated with the NaiKun Wind Project, as defined within the Deferred Plan agreement. Amounts allocated to the Deferred Plan have not been accrued due to the uncertainty of the occurrence of the triggering events for payment, being financial close. As at September 30, 2019, the remaining unpaid, unaccrued balance in the Deferred Plan amounted to approximately \$4.2 million (2018 - \$4.2 million).

To preserve cash the Company entered into agreements with several consultants to defer all or a portion of their retainer, fees, or compensation, the payment of which is triggered by a future Success Event. "Success Event" is defined as the point in time at which an agreement has been announced to undertake the first phase of the NaiKun wind farm, to develop the project(s) on some deferred timeframe, or to sell all or part of the Company assets. The agreement to proceed, to develop, or to sell assets may be undertaken by an arms-length third party acceptable to the board of NaiKun that may or may not be partially owned by NaiKun. In order for the deferred retainers and fees to become payable, the Success Event must provide NaiKun shareholders with a significant increase in share value and further, this event must provide NaiKun with sufficient liquidity to pay the outstanding amounts due. The accumulated amounts have not been accrued due to the uncertainty of the occurrence of a future Success Event. As at September 30, 2019, the remaining unpaid, unaccrued balance of these deferred retainer and fee amounts for consultants is \$672,375 (2018 - \$650,350).

The Company also entered into an agreement with its CEO to defer \$220,000 per annum of his compensation. As at September 30, 2019, the total accumulated accrued amount of this deferral, which commenced January 1, 2016, is \$825,000 (2018 - \$605,000). In addition, a matching amount is contingently payable and triggered by a future Success Event. This contingent portion has not been accrued due to the uncertainty of the occurrence of a future Success Event.

NAIKUN WIND ENERGY GROUP INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2019 and 2018

12. Financial Risk Management and Fair Values

The Company's exposure to risk on its financial instruments arises primarily from its cash and cash equivalents and its investments in marketable securities holdings. The Company's intent is to minimize and manage these risks through the following:

Interest Rate Risk	The Company maintains an investment policy where all cash deposits and short term investments must be convertible to cash within three months. Given the Company's cash balance, the Company's exposure to interest rate risk is not significant. The Company's short term loan bears interest at a fixed rate thereby does not result in an exposure to interest rate risk.
Currency Rate Risk	Most of the Company's expenditures are currently in Canadian dollars and to minimize currency rate risk, it maintains its cash and cash equivalents in Canadian dollar denominated accounts. The Company does engage suppliers in the US and Europe, but the terms of those engagements are short thereby minimizing the Company's exposure to fluctuations in foreign exchange rates. Therefore, the Company's exposure to currency risk is not significant.
Credit Risk	The Company's credit risk arises from its cash and cash equivalents, amounts receivable and deposits. The carrying amount of these assets represents the Company's maximum exposure to credit risk. The Company manages its credit risk by restricting its deposits to Government of Canada treasury notes or short term instruments guaranteed by a Canadian chartered bank. Holdings with banks are limited to \$5 million with any one bank. The Company has not incurred any credit losses during the years ended September 30, 2019 and 2018.
Liquidity Risk	The Company manages liquidity risk by continually monitoring actual and projected cash flows and by ensuring that all cash and cash equivalents are convertible to cash with less than 3 months notice. All of the Company's accounts payable and accrued liabilities, short term loan, and deferred compensation payable are potentially due within 1 year (see Note 2(a)).

The following table shows the carrying values of financial instrument assets and liabilities classified by measurement category at September 30, 2019 and 2018.

	September 30, 2019	September 30, 2018
Financial assets		
Amortized cost:		
Cash	232,937	91,045
Accounts receivable	7,605	4,753
Prepaid expenses and other	8,898	8,898
Deposit	360,000	360,000
Fair Value through profit and loss:		
Investment	-	117,000
	609,440	581,696
Financial liabilities		
Amortized cost:		
Accounts payable and accrued liabilities	307,020	81,422
Deferred compensation payable (note 8)	825,000	605,000
Short term loan	300,000	-
	1,432,020	686,422

The fair value of the Company's cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, deferred compensation payable, and short term loan approximate their carrying amounts due to the short-term maturities and/or ability for prompt liquidation of these instruments. The carrying value of the Company's investment in Canadian marketable securities is based on the quoted market price of the related shares in a publicly traded company, which is considered Level 1 of the fair value hierarchy.

NAIKUN WIND ENERGY GROUP INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2019 and 2018

13. Capital Management

The Company's capital management objectives are to safeguard its assets and maintain investor, creditor and market confidence in order to sustain ongoing development activities in the wind energy sector. The Company's capital management objectives have not changed from September 30, 2018. The Company includes all shareholders' equity balances as capital.

The Company currently has the debt obligation as disclosed in note 9 and is not subject to externally imposed capital restrictions. To complete the development of its wind project, the Company intends to raise additional capital when necessary by either selling portions of its project(s), issuing additional equity and/or borrowing funds (see note 2(a)).

14. Investment

During the year ended September 30, 2016, the Company sold its interest in 14 crown grant mineral claims to Barkerville Gold Mines Ltd. ("Barkerville"), in exchange for \$300,000 cash and 300,000 common shares of Barkerville. The common shares are recorded at fair value through profit and loss. As at September 30, 2018 the market value of this investment had decreased from the value at September 30, 2017 and accordingly the Company recorded a revaluation loss of \$141,000 during the year ended September 30, 2018.

On November 21, 2018, to provide near term funding, the Company sold its common shares in Barkerville for proceeds of \$111,687. The sale resulted in a \$5,313 realized fair value loss on financial instruments from the fair value recorded at September 30, 2018.

15. Subsequent Events

Subsequent to September 30, 2019, the Company issued 53,906 common shares, at a fair value of \$0.20 per common share, and 74,354 common shares at a fair value of \$0.145 per common share to directors as full payment of their remuneration. These share issuances cover remuneration for the period of July 1, 2019 to September 30, 2019, and October 1, 2019 to December 31, 2019 respectively.

Subsequent to September 30, 2019, to provide near term funding certain stock options (see note 6(b)) and warrants (see note 6(c) and 9) were exercised.

NAIKUN WIND ENERGY GROUP INC.

(A Development Stage Company)

Management's Discussion & Analysis

For the year ended September 30, 2019

Containing information up to and including January 24, 2020

This Management's Discussion and Analysis ("MD&A") reviews the activities of NaiKun Wind Energy Group Inc., (the "Company" or "NaiKun") and its material subsidiaries; the wholly owned NaiKun Wind Development Inc. ("Devco"), and NaiKun Wind Generating Inc. ("Genco"). For a more complete understanding of the Company's financial condition and results of operations, this MD&A should be read together with the Company's audited consolidated financial statements for the years ended September 30, 2019 and 2018 and the accompanying notes, and the MD&A for the year ended September 30, 2018. The above-mentioned documents along with additional information and disclosure relating to the Company can be found on SEDAR at www.sedar.com or on the Company's website, www.naikun.ca.

Forward-Looking Information and Report Date

This MD&A contains certain forward-looking information. Investors are cautioned that all information, other than historical facts included herein, including without limitation, data regarding future plans and objectives of the Company, is forward-looking information based on management's expectations, assumptions and estimates. Although the Company believes these underlying estimates and assumptions to be reasonable, they are difficult to predict, and actual results may differ materially from those in the forward-looking statements.

Forward-looking information can be subject to significant risks and uncertainties, and estimates and assumptions can prove to be inaccurate. There are many factors that could result in materially different outcomes than the forward-looking information contained herein including, but not limited to, the state of capital and financial markets, the general economy, the political climate, the commodity markets, foreign exchange fluctuations, the energy sector, electricity demand, technology, environmental factors, community relations and First Nations. Investors should be aware that there can be no assurance that forward-looking information will prove to be accurate and future events and actual results could differ materially from those anticipated.

The information herein is only provided as of the date of this MD&A, January 24, 2020 (the "Report Date").

Description and Overview of Business

NaiKun Wind Energy Group Inc. is a British Columbia ("BC") based renewable energy company with a current focus on an offshore wind energy project. Headquartered in Vancouver, it is a Tier 2 listed company that trades on the TSX Venture Exchange (TSX-V:NKW). It is developing a 400 MW offshore wind project located in Hecate Strait off the north coast of British Columbia (the "NaiKun Wind Project" or the "Project"). NaiKun was a registered proponent in the Clean Power Call RFP (the "CPC"). On March 31, 2010, BC Hydro advised NaiKun Wind that its proposal to build and operate the Project was no longer under consideration for a contract. The Company is exploring how it can advance the first phase of the project and how it can fit into the provincial government's

clean energy plans like CleanBC. Currently the Company is negotiating with an energy company with extensive experience in developing offshore wind projects.

NaiKun Wind Project

The Company has applied to renew the investigative use permits (“IUPs”) from the Government of British Columbia which provides the Company with the ability to develop wind energy projects within an area in British Columbia’s Hecate Strait. The proposed site for the first phase is less than 40% of the permit area. The IUPs also include two transmission corridors that would connect the NaiKun Wind Project to Haida Gwaii and the mainland power grid, and includes the license of occupancy for the Company’s Met Mast.

The area’s wind resource is the best in British Columbia and among the best in the world. This is due to the strong, consistent and high wind speeds, with mean annual wind speeds exceeding 10.0 meters/second (rated as a Class 7 resource). The wind is the strongest and most consistent in the fall and winter when electricity demand in BC is the highest. Other characteristics that make Hecate Strait an ideal location for offshore wind projects include its flat sedimentary seabed, relatively shallow waters, access to BC Hydro’s power grid, and its proximity to the increasing electricity demand in Northern British Columbia.

The energy potential of the area in Hecate Strait is well in excess of 2,000 megawatts (“MW”), enough to power more than 900,000 homes. If an Energy Purchase Agreement (EPA) is acquired, the Project would take approximately three years for finalization of supplier agreements, financial close on debt and equity, and construction.

The development schedules for subsequent phases are also subject to environmental and other approvals, First Nations engagement, and other factors.

In March 2011, NaiKun received a Federal screening decision from the Canadian Environmental Assessment Agency (CEAA). The decision concluded the harmonized environmental assessment review process and confirmed that the Project, which could be Canada’s first offshore wind energy project, can be constructed with no significant adverse environmental, social or health effects. Responsible federal agencies are now authorized to issue the required construction and operating permits, including a Navigable Water Protection Act Approval and Fisheries Act Authorization. This Federal approval was in addition to the Environmental Assessment Certificate issued by the Government of British Columbia in December 2009. The Provincial Environmental Assessment Certificate was extended on December 9, 2014 for a five-year period, and expired in December 2019. NaiKun’s Phase 1 and possible future phases have the potential to provide BC with a significant and scalable resource that is complementary to the aims and objectives of the Government in British Columbia.

Outlook

The significant wind energy resource in Northwest BC’s Hecate Strait provides an opportunity to supply renewable energy for the increasing requirements in the provinces of BC and Alberta and the western USA. When the Company was unsuccessful in the 2010 Clean Power Call it was determined that the best interest of the shareholders would be served by continuing to advance the wind project, reducing the day to day costs of operating the Company, and continuing to look for partnerships and business opportunities in the renewable energy field. The Company’s efforts since that time have seen substantial refinement and development of the project that are associated with

the remarkable improvements in offshore wind technology, associated lower costs, and expansion of the industry from a European base with a relatively small number of competitors to a low-cost world-wide industry that continues to see technology improvements and lower costs. The generation costs per megawatt and the energy production of offshore wind have significantly improved over the past few years. Electricity prices in Europe, based on recent projects, are now in the low €60/MW range. In November 2017, a project was awarded to a large utility in Europe which had an initial price of US\$ 53/MW with the long-term price projected at US\$ 40/MW. More recently the 800 MW offshore wind project in Massachusetts was awarded to Vineyard Wind LLC and included electricity pricing of US\$ 65/MW. In 2019, offshore wind contracts were awarded in the North Sea (UK) for £39.65 and £41.61. These prices make offshore competitive with any long-term energy prices and costs will continue to drop with the advent of larger and more efficient turbines, other improvements in the industry, and supply of major components from Asia. The significant projections for offshore wind development in Asia demonstrate the speed of the world-wide development of offshore wind. Research from global natural resources consultancy Wood Mackenzie indicates Asia-Pacific's offshore wind capacity will rise 20-fold to 43 GW by 2027. Wood Mackenzie project that East Asia needs around US\$37 billion in investments to meet the mammoth growth in offshore wind capacity over the next five years. The development of a strong supply chain from Asia will further reduce the costs of offshore wind in BC.

At the same time as the industry has progressed to a low-cost world-wide energy developer, the profile of the Naikun project has changed from a local project in British Columbia to a well-known world ranked wind resource.

BC Government Climate Action Plans and Renewable Energy “Road Map”

In the summer of 2017, the NDP party, with the support of the BC Green Party, formed government in BC. Both parties are strongly committed to a low carbon economy, a renewable energy future for BC, and significant advances in the Province's Climate Change Strategy; all of which bode well for Naikun's strong, affordable wind resource.

The wind resource in Hecate Strait is a remarkable utility scale world-class wind resource that is permitted and can be developed in a brief time frame to meet the power needs in BC, Alberta and the western USA.

Haida Gwaii is the largest land mass in British Columbia that is not connected to the BC Hydro grid. Six communities on Haida Gwaii represent 10% of the communities that are still on diesel generation. The development of the wind development project would include a transmission line that would connect Haida Gwaii with the mainland BC Hydro grid. This would effectively bring cost-effective, reliable, green power to Haida Gwaii which would in turn facilitate the growth of a vibrant on-island renewable energy economy that could augment the forestry, fishery and cultural initiatives on Haida Gwaii.

The BC Government policy announcements (Clean BC) make it clear that to achieve the Paris Accord Climate Action objectives and provinces GHG targets, BC must electrify most energy consuming uses and also must convert most carbon-based fuel industries to electricity. Couple these aggressive policy commitments with the likelihood that British Columbia will not build another new Hydro Dam or large gas generation facility, it is clear that future energy supply must come from utility scale renewable resources like Naikun's wind project.

Northwest BC is a Unique Region supplied by a single HVAC Transmission Line

The Naikun Wind resource is located in the northwest region of BC, a unique part of the province serviced by one 600km long HVAC transmission line with a finite capacity. Additional electrical power for this part of the province must be provided locally or via a new multi-billion dollar transmission line that would take up to a decade to approve and complete. Providing electrical power locally is by far the most practical and cost-effective alternative for the fast growing commercial and industrial demand in the region. The Naikun wind project is the only large-scale project in the region that can meet the demand for power in the region.

Orsted Energy Partnership

In October 2018 the partnership negotiations with Orsted Energy were mutually terminated and other parties were engaged in discussions to partner with NaiKun in the development of the wind resource. To quote the joint press release of October 15, 2018 ...

Michael O'Connor, CEO of NaiKun, "We would like to thank Orsted for assisting us in continuing to develop the project over the last 12 months and wish them well with their future endeavors. NaiKun is in current discussions with interested alternate partners who are familiar with the wind resource and the development that NaiKun has progressed over the past many years, including the accomplishments of the last year. With the industrial development on the North Coast of British Columbia, and the growing demand and support for Renewable Energy, there are compelling reasons for the project to proceed to the development stage ..."

New Partnership Engagement

Since October 2018 Naikun has engaged numerous parties to partner in the development of the first phase. To assist with the search for a partner to develop the offshore wind project, the Company engaged the services of PricewaterhouseCoopers (PwC).

On July 8, 2019 the Company signed an indicative agreement with a major offshore wind development company to develop the wind project in Hecate Strait and the parties are currently working to negotiate and sign a definitive agreement.

Risks and Uncertainties

The Company's future and growth is dependent on a number of risk factors common to other companies in the renewable energy sector and, wind energy companies. Some factors that may have a material impact on the Company's future include, but are not limited to:

Electricity Purchase Agreement ("EPA")

A significant milestone and risk factor for the Company is an award of an EPA from BC Hydro or a similar purchaser of electricity. The Company continues to advance the Project, demonstrating how the wind energy field will meet the Provincial Governments' clean energy plans (Clean BC). NaiKun is optimistic about the proposed plans of the Provincial and Federal Governments to proceed with a significant renewable energy program in the near future. Given the scale, cost, and availability of the resource and a potential new partnership, the Company

is optimistic the first phase of the NaiKun wind project can become part of these programs in the near future.

However, the Company cannot predict when or if the Project will proceed, or if an EPA will be awarded.

Capital Resources

Due to the delay in receiving an EPA for the Project, the Company has substantially reduced its activity level and cash expenditures. On November 21, 2018, to provide near term funding, the Company sold its common shares in Barkerville Gold Mine for \$111,687 and, on January 24, 2019, entered into a loan agreement with one of the Company's directors to provide financing of \$300,000. During the year ended September 30, 2019, 3,651,308 outstanding warrants, that were to expire on September 7, 2019, were repriced from an exercise price of \$0.15 per common share to \$0.10 per common share with 3,382,937 of such warrants being exercised prior to expiry. Total proceeds of \$389,831 was raised from a total of 3,726,386 warrants being exercised. Subsequent to September 30, 2019, \$300,750 was raised from the exercise of 2,700,000 options and 250,000 warrants. Additionally, on January 17, 2020 2,750,000 warrants were exercised, the proceeds of which were used to repay the Company's short term loan. With the current resources and with the anticipated participation of a new partner, the Company expects to be adequately financed into the near future.

Prior to executing an EPA, the Company will need to raise additional equity at the Project level and likely at the Company level to fund contributions for equipment deposits and Project security. The availability and possible dilutive effect of additional equity will be subject to market conditions at the time of any equity financing.

Project Financing

The availability and cost of project equity and debt are beyond the Company's control and subject to market conditions at the time the NaiKun Wind Project advances to the construction stage.

Contracting Parties

The Company engaged in discussions with a number of energy companies with proven capabilities in financing, building, and operating offshore wind projects around the world. To assist in the successful search for a leading partner, the Company retained the services of PricewaterhouseCoopers. On July 8, 2019, the Company signed an indicative agreement with a major offshore development company to develop the wind project in Hecate Strait and the two parties are currently working to negotiate and sign a definitive agreement. The Company's current and future contractual arrangements with various parties for the development, construction and operation of the Project are another risk factor. The Company's and other parties' ability to fulfill obligations can have a material impact on future success. The Company would include technical and financial capacity and credit-worthiness assessments in its contracting strategies. The Company would also need to either sell the Project in part or in whole, or enter into an agreement with a strategic partner in order to fund future contractual arrangements. The Company may not be able to sell a portion at a reasonable price nor to secure an appropriate partnership.

Wind Resource and Weather

Long-term historical wind data obtained from Environment Canada at or around the site for the NaiKun Wind Project, along with data received from the Met Mast, indicate this is a world-class, affordable wind resource. However, wind speeds may vary over time and may or may not continue at the historical trend due to changes in weather patterns. The 20 plus years of correlated data indicate the resource may be growing stronger over time, however, this is not assured. During construction, the weather and marine environment at the Project site can cause scheduling delays resulting in cost overruns or a delay in the operation start date. Where possible, the Company would incorporate their extensive experience to manage this risk.

Financial Summary

The following summarizes selected financial information for the years ended September 30, 2019, 2018, and 2017.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Loss and comprehensive loss	\$1,255,310	\$846,864	\$882,091
Loss per common share	<u>\$0.02</u>	<u>\$0.01</u>	<u>\$0.01</u>

The following summarizes the total assets and total liabilities as at September 30, 2019, 2018, and 2017.

	September 30, <u>2019</u>	September 30, <u>2018</u>	September 30, <u>2017</u>
Total Assets	\$609,440	\$581,696	\$1,074,438
Total Liabilities	\$1,832,020	\$1,086,422	\$872,951

The loss and the increase in total assets during the year ended September 30, 2019 is primarily due to the Company's expenditures on the Project and administration, all of which were expensed in the period incurred.

Summary of Quarterly Results

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters. For more detail information, refer to the consolidated financial statements for the applicable periods.

Quarter ended	Revenues - \$	Project, general and administrative expenses - \$	Net loss - \$	Basic and diluted loss per share - \$
30-Sep-19	Nil	420,078	368,162	0.00
30-Jun-19	Nil	294,578	294,574	0.00
31-Mar-19	Nil	358,020	357,987	0.00
31-Dec-18	Nil	229,274	234,587	0.00

30-Sep-18	Nil	217,656	236,924	0.00
30-Jun-18	Nil	246,942	225,965	0.00
31-Mar-18	Nil	241,441	174,844	0.00
31-Dec-17	Nil	281,876	209,131	0.00

The level of expenditures and loss varies from period to period depending on the level of activity related to the development of the NaiKun Wind Project. Net loss during the earliest of the two years in this reporting period are consistent and lower than the current year due to the income received under the Orsted agreement which terminated in October 2018. Costs in the year ended September 30, 2019 are higher primarily due to interest and borrowing costs of \$40,281, and consulting and professional services of \$202,054 incurred in identifying and negotiating agreements with a potential partner to further the development of the Company's wind project.

Results of Operations

The Company reported a loss of \$1,255,310 for the year ended September 30, 2019 compared with a loss of \$846,864 for the same period last year. Cash used in operations for the year ended September 30, 2019 was \$659,626 compared to \$322,596 for the same period last year.

Project, general and administrative expenses ("PG&A") for the year ended September 30, 2019 totaled \$1,301,950 (2018 - \$987,915) of which \$200,497 (2018 - \$171,878) related to public and community relations, \$103,800 related to consultant fees (2018 - nil), \$40,281 related to interest expense (2018 - nil), \$174,372 (2018 - \$44,534) related to professional fees, \$130,552 (2018 - \$123,443) for office and administrative expenses and \$48,414 (2018 - \$53,640) related to travel. Compensation expense for the year ended September 30, 2019, which is also included in PG&A, amounted to \$604,034 (2018 - \$594,420). PG&A expenses were higher for the year ended September 30, 2019 over the same period in the prior year as government relations (\$28,619), legal and tax consulting costs (\$98,254), and consultant fees (\$103,800) are higher related to work done in the year to profile the project and to secure a senior partner to assist in developing the project. Additionally, PG&A expenses are higher for the year ended September 30, 2019 due to interest and borrowing costs of \$40,281 (2018 - nil) related to a loan put in place January 24, 2019.

During the year ended September 30, 2019, the Company recorded investment income of \$1,953 (2018 - \$2,051), a realized fair value loss on financial instruments of \$5,313 (2018 - \$141,000), and other income of \$50,000 (2018 - \$280,000). The \$280,000 in other income for 2018 was received under an agreement with Orsted which was terminated in October 2018. The \$50,000 in other income for 2019 was a non-refundable payment made in connection with the signing of an indicative agreement with a major offshore wind development company.

Liquidity

As at September 30, 2019, the Company had \$232,937 million in cash and cash equivalents compared to \$91,045 million as at September 30, 2018. Working capital, being current assets less current liabilities, as at September 30, 2019 was \$(1,182,580) vs. \$(464,726) as at September 30, 2018. The increase in cash and cash equivalents and the decrease in working capital during the year ended September 30, 2019 is the result of expenditures related to the advancement of the NaiKun Wind Project and the ongoing overhead and administration to maintain the Company, net of funds raised through a loan (\$300,000) and the exercise of warrants (\$389,831).

During the quarter ended March 31, 2014 the Company made a deposit with Natural Resources Canada (NRC) as part of the Met Mast license renewal. This deposit is held by NRC to ensure the retirement obligation is fulfilled when the Met Mast is decommissioned.

On November 21, 2018, to provide near term funding of the Company's activities, the Company sold its common shares in Barkerville for \$111,687. The Company also entered into a loan agreement dated January 24, 2019 with one of the Company's directors to provide financing of \$300,000. In October 2018, the partnership negotiations with Orsted were mutually terminated and other parties were engaged in discussions to partner with NaiKun in the development of the wind project. On July 8, 2019 the Company signed an indicative offer with a major offshore wind development company and the parties are working to negotiate and sign a definitive agreement. During the year ended September 30, 2019, 3,651,308 outstanding warrants, that were to expire on September 7, 2019, were repriced from an exercise price of \$0.15 per common share to \$0.10 per common share with 3,382,937 of such warrants being exercised prior to expiry. Total proceeds of \$389,831 was raised from a total of 3,726,386 warrants being exercised. Subsequent to September 30, 2019, \$300,750 was raised from the exercise of 2,700,000 options and 250,000 warrants. On January 17, 2020, 2,750,000 warrants were exercised, the proceeds of which were used to repay the Company's short term loan.

The Company believes it will still be some time before there is clarity on the development plans for the northwest region of BC, and until those plans are understood there is uncertainty as to the future demand for electricity and the role that the NaiKun Wind Project could play in meeting that demand.

The Company's ability to continue as a going concern is dependent on its ability to obtain additional financing or an investment by a strategic partner in order to meet its planned business objectives and be able to advance the Project. The Company will need to raise funds through grants, strategic collaborations, public or private equity, debt financing, or other funding sources. The funding may not be available on acceptable terms, or at all, and may be dilutive to shareholder interests. If the Company is unable to generate positive cash flows or obtain adequate financing, the Company would need to curtail operations.

Capital Resources

During the year ended September 30, 2019, the Company issued 607,628 common shares at a fair value of \$0.071 per common share to directors as full payment of their remuneration. Also, during the year ended September 30, 2019, 3,726,386 common shares were issued upon the exercise of warrants at an average price of \$0.105. As at September 30, 2019 the Company had 69,253,483 common shares issued and outstanding. Subsequent to September 30, 2019, the Company issued 53,906 shares at a fair value of \$0.20 per common share, and 74,354 common shares at a fair value of \$0.145 per common shares to directors as full payment of their remuneration. These subsequent issuances covered compensation for the period of July 1, 2019 to September 30, 2019, and October 1, 2019 to December 31, 2019 respectively. Subsequent to September 30, 2019 2,700,000 common shares were issued upon the exercise of options at an average price of \$0.102, and 250,000 common shares were issued upon the exercise of warrants at a price of \$0.10. On January 17, 2020, 2,750,000 warrants were exercised, the proceeds of which were used to repay the Company's short term loan. Subsequent to September 30, 2019, 350,000 options were forfeited. As at January 24, 2020, the Company had 75,081,743 common shares issued and outstanding.

As of January 24, 2020, the Company had 2,250,000 stock options outstanding.

Description	Exercise Price	Expiry Date	Number Outstanding
Stock Options	\$0.10	October 6, 2026	100,000
Stock Options	\$0.095	November 1, 2027	1,150,000
Stock Options	\$0.10	January 23, 2029	1,000,000

Commitments

In September 2017 NaiKun reached a non-binding agreement with Orsted Energy ("Orsted"), previously DE Wind Power U.S. LLC ("DONG Energy") to exclusively negotiate the terms of a Joint Development Agreement ("JDA") to define how the NaiKun wind project will be developed and the future collaboration, financial and partnership frameworks between the parties. In connection with the agreement, Orsted agreed to contribute to the Company a monthly fee of \$35,000 from September 1, 2017 to the earlier of a date that a JDA is signed or June 1, 2018. In October 2018, the partnership negotiations with Orsted were mutually terminated and other parties were engaged in discussions to partner with NaiKun in the development of the wind resource. On July 8, 2019 the company has signed an indicative offer with a major offshore wind development company and the two parties are currently working to negotiate and sign a definitive agreement.

The Company entered into a consulting agreement with PricewaterhouseCoopers ("PwC") in relation to assisting in identifying and securing a strategic partner for the NaiKun Wind Project. In exchange for services PwC received fixed monthly fixed monthly fees of \$12,500 and 1,000,000 stock options which PwC will exercise equal to the value of fees up to \$100,000. Additionally, PwC will be entitled to 2% of any proceeds received by NaiKun for a period of 24 months, subject to a maximum fee of \$500,000.

During the three months ended December 31, 2018, the Company concluded an agreement with Enmax Generation Portfolio Inc. ("ENMAX") to terminate the Asset Purchase Option Agreement between ENMAX, the Company, and the Company's affiliates. Additionally, for the amount of \$1.00, the Company purchased the common shares that ENMAX held in Genco, thereby giving the Company 100% ownership of Genco.

Contingent Liabilities

The Company's Deferred Plan was designed to attract and retain qualified personnel while conserving cash during the Company's development stages. The Deferred Plan deferred payment of the majority of the Company's salary expenses prior to 2009 until financial close associated with the NaiKun Wind Project as defined within the Deferred Plan agreement. Amounts allocated to the Deferred Plan have not been accrued due to the uncertainty of the occurrence of the triggering event for payment, that being financial close. As at September 30, 2019, the remaining unpaid, unaccrued balance in the Deferred Plan amounted to approximately \$4.2 million (2018 - \$4.2 million).

To preserve cash, the Company entered into agreements with several consultants and the CEO to defer all or a portion of their retainer, fees, or compensation; the payment of which is triggered by a future Success Event. "Success Event" is defined as the point in time at which an agreement has been announced to undertake the first phase of the NaiKun wind farm, to develop the project(s) on some deferred timeframe or to sell all or part of the Company assets. The agreement to proceed, to develop, or to sell assets may be undertaken by an arms-length third party acceptable to the board of NaiKun that may or may not be partially owned by NaiKun. In order for the deferred retainers and

fees to become payable, the Success Event must provide NaiKun shareholders with a significant increase in share value and further, this event must provide NaiKun with sufficient liquidity to pay the outstanding amounts due. The accumulated amounts have not been accrued due to the uncertainty of the occurrence of a future Success Event.

The Company also entered into an agreement with its CEO to defer \$220,000 per annum of his compensation. As at September 30, 2019, the total accumulated accrued amount of this deferral, which commenced January 1, 2016, is \$825,000 (2018 - \$605,000). In addition, a matching amount is contingently payable and triggered by a future Success Event. This portion has not been accrued due to the uncertainty of the occurrence of a future Success Event.

As at September 30, 2019, the remaining unpaid, unaccrued balance of these deferred retainer and fee amounts for consultants is \$672,375 (2018 – \$650,350) and for CEO compensation, the amount is \$825,000 (2018 – \$605,000).

Related Party Transactions

Key management compensation to the Chief Executive Officer, Chief Financial Officer, and the Board of Directors for the year ended September 30, 2019 are as follows:

	2019	2018
Wages and benefits	\$ 496,409	\$453,769
Share-based	107,625	140,651
	<u>\$ 604,034</u>	<u>\$594,420</u>

During the year ended September 30, 2019 the Company issued 607,628 common shares (2018 – 483,872 common shares) with a fair value of \$43,125 (2018 - \$41,093) to directors as their annual compensation.

As at September 30, 2019 \$10,781 (2018 - \$10,781) in directors' remuneration was accrued in accounts payable and accrued liabilities and was subsequently paid by issuance of common shares of the Company.

As at September 30, 2019 \$825,000 (2018 – \$605,000) was payable to the Company's CEO and included in deferred compensation payable.

As at September 30, 2019 the Company accrued \$16,581 in interest costs related to a short term loan from one of the Company's directors. On January 17, 2020 the loan and interest entitlement were paid in full.

Internal Controls and Procedures over Financial Reporting

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the

preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

TSX Venture listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109. In particular, the certifying officers (the Chief Executive Officer and Chief Financial Officer) do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Approval

The board of directors of the Company has approved the disclosure contained in this MD&A.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com under *NaiKun Wind Energy Group Inc.* or at www.naikun.ca.

Dated January 24, 2020

NAIKUN WIND ENERGY GROUP INC.

Audited Consolidated Financial Statements

For the years ended September 2018 and 2017





MANAGEMENT'S REPORT

To the Shareholders of

NaiKun Wind Energy Group Inc. (the "Company")

The preparation and presentation of the Company's consolidated financial statements as at September 30, 2018 and 2017 is the responsibility of management. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and where appropriate include managements best estimates and judgments.

Management is responsible for installing and maintaining a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded, transactions are authorized and financial information is reliable.

Independent auditors are appointed by the Company's shareholders to give an opinion on the financial statements based upon their scope of examination as outlined in their Auditor's Report.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility with the assistance of the Audit Committee. The Audit Committee meets with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and recommend that the financial statements be presented to the Board of Directors for approval.

Signed: "Wilbur J. Lang"

Wilbur J. Lang - Chief Financial Officer



KPMG LLP
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Vancouver BC V7Y 1K3
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Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Shareholders of NaiKun Wind Energy Group Inc.

We have audited the accompanying consolidated financial statements of NaiKun Wind Energy Group Inc., which comprise the consolidated statements of financial position as at September 30, 2018 and September 30, 2017, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of NaiKun Wind Energy Group Inc. as at September 30, 2018 and September 30, 2017 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(a) in the consolidated financial statements which indicates that NaiKun Wind Energy Group Inc. has negative working capital and a shareholders' deficiency at September 30, 2018 and has sustained a loss from operations and negative cash flows from operations for the years ended September 30, 2018 and 2017. These conditions, along with other matters as set forth in Note 2(a) in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about NaiKun Wind Energy Group Inc.'s ability to continue as a going concern.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

January 24, 2019
Vancouver, Canada

NAIKUN WIND ENERGY GROUP INC.
Consolidated Statements of Financial Position

	September 30, 2018	September 30, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 91,045	\$ 413,641
Accounts receivable	4,753	33,899
Investment (note 13)	117,000	258,000
Prepaid expenses and other	8,898	8,898
	221,696	714,438
Non-current assets		
Deposit - Natural Resources Canada - Metmast	360,000	360,000
Total assets	\$ 581,696	\$ 1,074,438
Liabilities		
Current Liabilities		
Bank overdraft	\$ -	\$ 21,097
Accounts payable and accrued liabilities (note 8)	81,422	66,854
Deferred compensation payable (note 8)	605,000	385,000
	686,422	472,951
Non-Current Liabilities		
Asset retirement obligation (note 5)	400,000	400,000
Total liabilities	1,086,422	872,951
Shareholders' Equity (Deficiency)		
Share capital (note 6(a))	46,933,789	46,892,696
Contributed surplus	2,447,761	2,348,203
Deficit	(49,886,276)	(49,039,412)
Total shareholders' equity (deficiency)	(504,726)	201,487
Total liabilities & shareholders' equity (deficiency)	\$ 581,696	\$ 1,074,438

Nature of operations and going concern (notes 1 & 2(a))
 Commitments (note 9)
 Contingent liabilities (note 10)
 Subsequent events (notes 1, 9, and 14)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors and authorized for issue on January 24, 2019.

Director: "Dave Rehn"

Director: "Michael O'Connor"

NAIKUN WIND ENERGY GROUP INC.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended September 30, 2018 and 2017

	September 30, 2018	September 30, 2017
Expenses		
Compensation	\$ 594,420	\$ 523,338
Office and administration	123,443	135,364
Public and community relations	171,878	207,480
Professional fees	44,534	48,030
Travel	53,640	52,620
Loss before the following:	(987,915)	(966,832)
Other Income		
Other income (note 9)	280,000	35,000
Investment income	2,051	4,741
Fair value gain (loss) on financial instruments (note 13)	(141,000)	45,000
	141,051	84,741
Loss and comprehensive loss for the period	\$ (846,864)	\$ (882,091)
Loss per share, basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	64,703,095	64,232,704

The accompanying notes are an integral part of these consolidated financial statements.

NAIKUN WIND ENERGY GROUP INC.**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)****For the years ended September 30, 2018 and 2017**

	Number of Common Shares (Note 6 & 8)	Share Capital (Note 6 & 8)	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
Balance, September 30, 2016	63,975,780	\$ 46,856,548	\$ 2,248,701	\$ (48,157,321)	\$ 947,928
Total comprehensive loss for the year	-	-	-	(882,091)	(882,091)
Share based portion of compensation	459,817	36,148	-	-	36,148
Share based compensation expense	-	-	99,502	-	99,502
Balance, September 30, 2017	64,435,597	46,892,696	2,348,203	(49,039,412)	201,487
Total comprehensive loss for the year	-	-	-	(846,864)	(846,864)
Share based portion of compensation	483,872	41,093	-	-	41,093
Share based compensation expense	-	-	99,558	-	99,558
Balance, September 30, 2018	64,919,469	\$ 46,933,789	\$ 2,447,761	\$ (49,886,276)	\$ (504,726)

The accompanying notes are an integral part of these consolidated financial statements.

NAIKUN WIND ENERGY GROUP INC.
Consolidated Statements of Cash Flows
For the years ended September 30, 2018 and 2017

	September 30, 2018	September 30, 2017
Cash flows provided by (used in)		
OPERATING ACTIVITIES		
Loss for the year	\$ (846,864)	\$ (882,091)
Items not affecting cash		
Share-based compensation (notes 6(b) and 8)	140,651	135,650
Unrealized fair value loss (gain) on financial instruments	141,000	(45,000)
Changes in non-cash working capital		
Bank overdraft	(21,097)	21,097
Receivables	29,146	(29,454)
Prepaid expenses and other	-	(25)
Accounts payable and accrued liabilities	14,568	(20,065)
Deferred compensation payable	220,000	220,000
Net cash used in operating activities	(322,596)	(599,888)
FINANCING ACTIVITIES		
Share subscription receivable	-	100,000
Net cash from financing activities	-	100,000
Decrease in cash and cash equivalents	(322,596)	(499,888)
Cash and cash equivalents, beginning of year	413,641	913,529
Cash and cash equivalents, end of year	\$ 91,045	\$ 413,641

The accompanying notes are an integral part of these consolidated financial statements.

NAIKUN WIND ENERGY GROUP INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2018 and 2017

1. Corporate Information

NaiKun Wind Energy Group Inc. ("NaiKun Wind" or the "Company") is incorporated under the Business Corporations Act (British Columbia) and is listed on the TSX Venture Exchange. The Company's registered office is at Suite 570, 355 Burrard Street, Vancouver, BC, V6C 2G8. The Company's primary business is the development of renewable energy projects. The Company is currently developing a project (the "NaiKun Wind Project") on the north coast of British Columbia in Hecate Strait. As the Company is in the development phase, it has not generated any revenue from the sale of wind energy.

On March 31, 2010, NaiKun Wind learned that its offshore wind energy project was no longer under consideration in BC Hydro's Clean Power Call procurement process. Following that decision, the Board directed a review of the alternatives open to the Company. These were broad ranging and included continuing to advance the wind project, business combinations, joint ventures, and the sale of all or part of the Company. The Board and Management were assisted in this review by Cormark Securities and Energy+Environmental Economics (E3). It was determined that the best interest of the shareholders would be served by continuing to advance the wind project, reducing the day to day costs of operating the Company, and continuing to look for partnerships and business opportunities in the renewable energy field. The Company cautions that there can be no assurance that these strategic efforts will ultimately result in an offshore wind project being completed.

2. Basis of presentation and going concern

(a) Going concern

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize, in the foreseeable future, its assets and discharge its liabilities in the normal course of business as they come due. The Company has recurring operating losses, negative cash flow from operations, working capital deficiency of \$464,726, and a shareholders' deficiency of \$504,726 which includes an accumulated deficit of \$49,886,276 (2017 - \$49,039,412). The Company also expects to incur losses in future years until it is able to sell or find a strategic partner for its project and the timing of such events cannot be predicted with certainty.

The Company's ability to continue as a going concern is dependent on its ability to obtain additional financing or an investment by a strategic partner in order to meet its planned business objectives and be able to advance the offshore wind project. The Company will need to raise additional funds through grants, strategic collaborations, public or private equity, debt financing, or other funding sources. Subsequent to September 30, 2018 the Company sold its shares in Barkerville Gold Mine for \$111,687 (note 14), and entered into a loan agreement dated January 24, 2019 with a director for \$300,000 (note 14) to provide near term funding. The Company is currently engaged in discussions with a number of parties who are interested in partnering with NaiKun Wind in the development of the wind resource. Additional funding will be required and may not be available on acceptable terms, or at all, and may be dilutive to shareholder interests. If the Company is unable to generate positive cash flows or obtain adequate financing, the Company would need to curtail operations. These factors may cast significant doubt on the Company's ability to continue as a going concern. If the going concern assumption is not appropriate for these financial statements, adjustments affecting the carrying values of assets, liabilities, reported net losses and statement of financial position classifications may be required and such adjustments could be material.

(b) Statement of compliance

These consolidated financial statement have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The policies applied in these consolidated financial statements are based on IFRS applicable for the Company's year ended September 30, 2018 as issued and outstanding as of January 24, 2019, the date the Board of Directors approved the financial statements.

These consolidated financial statements are stated in Canadian dollars and were prepared under the historical cost convention, except for the Company's investment in shares of Barkerville Gold Mines Ltd. (note 13) which is recorded at fair value.

(c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting periods. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future period affected.

NAIKUN WIND ENERGY GROUP INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2018 and 2017

Areas requiring the use of management estimates relate to the amount of asset retirement obligations, the determination of share compensation expense associated with stock options, and the Company's ability to utilize tax losses. A discussion of these estimates is provided in the relevant accounting policy notes. Significant judgment is applied in the determination of the Company's ability to continue as a going concern as discussed in note 2(a). Management assesses its ability to continue as a going concern taking into account its forecast cash requirements, its budgeted non-discretionary expenditures, its available cash and cash equivalents, and expected sources of financing.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by NaiKun Wind and its subsidiaries.

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: NaiKun Wind Development Inc.("Devco"); NaiKun Wind Operating Inc.("Opco"); and 50% owned NaiKun Wind Generating Inc.("Genco"). Genco is an inactive company with no material assets or liabilities (note 14). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation. For partly owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest.

b) Foreign currency translation

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. Foreign exchange gains and losses resulting from the settlements of such transactions are recognized in the income statement. At each financial reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary assets and liabilities are translated using the historical rate on the date that the fair value was determined.

c) Cash and cash equivalents

Cash and cash equivalents include short term investments that are readily convertible into cash with original maturities of three months or less. Bank overdraft represents cheques issued in excess of funds on deposit with an individual financial institution.

d) Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with borrowing costs and the future cost of dismantling and removing the asset. Such cost includes the cost of replacing part of the plant and equipment, significant overhauls, and borrowing costs for long-term construction projects if the recognition criteria are met. The cost of replacing a part of an item of property, plant, and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company. All other repair and maintenance costs are recognized in the statement of comprehensive loss as incurred.

Residual values, useful lives and methods of depreciation are reviewed at each period year end and adjusted prospectively, if appropriate. When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate major components.

The estimated useful lives and depreciation methods for the current and comparative periods are as follows:

Wind measuring equipment	5 years straight line
Office equipment	3 - 5 years straight line

All items of property, plant and equipment have been fully amortized or written-off in prior years.

e) Asset retirement obligations

The Company recognizes its legal and constructive obligations associated with the future costs of removal and abandonment of its long-lived assets in the period in which the obligation is incurred. The fair value of the asset retirement obligation ("ARO") is recorded as a liability in the period when those future costs can be reasonably estimated and the carrying value of the related long-lived asset is increased by the corresponding amount. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Any difference between the actual costs incurred upon settlement of the ARO and the recorded liability is recognized as a gain or loss in that period. Changes in estimates of the liability are reflected as a change in the related asset unless the asset has been reduced to zero, in which case, any excess amount would be included in the statement of comprehensive loss. Significant judgments and estimates are involved in forming expectations of the amount and timing of these obligations.

f) Impairment of non-financial assets

Non-financial assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset, for which the estimated of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

g) Income taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in income except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiaries where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future, or on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

h) Interest income

Interest earned on the Company's cash and cash equivalent balances is recorded as investment income on an accrual basis.

i) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. If the Company had reported positive earnings, diluted earnings per share would be calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. As the Company has had a net loss for all periods presented herein, the unexercised stock options and share purchase warrants, disclosed in notes 6(b) and 6(c), have not been included in any calculations of loss per share as their inclusion would have been anti-dilutive.

j) Share based payments

Compensation expense for stock options granted to employees or consultants is measured at fair value, using the Black-Scholes valuation model, factoring in amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of the stock options, the fair value of the Company's stock and the risk-free interest rate. The estimated fair values of stock-based compensation are charged to expense over the vesting period with offsetting amounts recognized as contributed surplus. The value assigned to stock options shown on the statement of financial position as contributed surplus is subsequently reduced if the options are exercised, and the amount so reduced is then credited to share capital. Any values assigned to stock options that have expired remain in contributed surplus.

k) Financial instruments

i) Financial assets

Management determines the classification of its financial assets at initial recognition. With the exception of investments the Company classified its financial assets as loans and receivables based on the purpose for which the asset was acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date, and are initially carried at fair value and subsequently at amortized cost, using the effective interest method, less any impairment. Loans and receivables are comprised of cash and cash equivalents, amounts receivable, and deposits.

The Company has classified its investments in marketable securities as a financial asset at fair value through profit or loss. Financial assets classified as fair value through profit or loss are subsequently re-measured at fair value at each reporting date with changes in fair value recognized in profit or loss for the period.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Gains or losses related to impairment or de-recognition are recognized in profit and loss in the period such gain or loss is incurred.

(ii) Financial liabilities

The Company's financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost, using the effective interest method. Any difference between the amounts originally received, net of transactions costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities include bank overdraft, accounts payable, and accrued liabilities, and deferred compensation payable.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issuance costs. If an equity instrument is comprised of a common share and a share purchase warrant, the gross proceeds are allocated between share capital for the common share component, and contributed surplus, for the warrant component, on a relative fair value basis where the value of the warrants is estimated using a Black-Scholes valuation model.

(iv) Fair value measurements

The fair value of financial instruments that are measured subsequent to initial recognition at their fair value, is measured within a 'fair value hierarchy' which has the following levels:

- (i) Level 1: quoted price (unadjusted) in active markets for identical assets or liabilities
- (ii) Level 2: valuation techniques using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie: as prices) or indirectly (ie: derived from prices)
- (iii) Level 3: valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

4. Recent accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following pronouncement may have an impact on the Company.

IFRS 9 Financial instruments brings together the classification, measurement, impairment and hedge accounting phases of the International Accounting Standards Board's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities, amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment and includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. The Company will adopt IFRS 9 on October 1, 2018. Aside from changes in terminology to describe financial instruments and certain additional disclosure requirements, it is not anticipated that there will be any material impact on the Company's consolidated financial statements arising from the adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers is effective for years commencing on or after January 1, 2018, and replaces IAS 11, Construction; IAS 18, Revenue; International Financial Reporting Interpretations Committee ("IFRIC") 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfer of Assets from Customers; and Standard Interpretations Committee ("SIC") 31, Revenue - Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue - at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced which may affect the amount and/or timing of revenue recognition. In the absence of revenue, this standard will not have an impact on the financial statements, however the Company intends to adopt IFRS 15 in its consolidated financial statements for the year commencing October 1, 2018.

IFRS 16 Leases was issued in January 2016. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 *Leases* and introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months. A lessee is required to recognize a right-of-use asset representing the right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on October 1, 2019 and has not yet completed its assessment of the impact of the new standard on its financial instruments and it will depend on the leases in place at adoption.

5. Asset Retirement Obligation ("ARO")

The Company has recorded an ARO in regards to its wind measuring equipment installed in Hecate Strait. In fiscal 2013 the Company did an analysis of the methodology of removing this equipment and received an estimate of the related costs from a marine contractor in the region. Based on this analysis the costs are currently estimated to be \$400,000. The settlement of the obligation was expected to occur in fiscal 2013, however, until such time as an Electricity Purchase Agreement is secured, the Company continues to collect important meteorological data to strengthen the Company's understanding of the wind resource and remains obligated to remove such equipment at a future undetermined date.

6. Share Capital

a) Authorized Capital

Authorized:	Unlimited common shares of no par value
	20,000,000 first preferred shares of no par value (none of which have been issued)

b) Stock Options

The Company has a stock option plan ("Option Plan") that provides for the issuance of options to its directors, officers, employees, and consultants. Compensation costs attributable to share options granted to employees, directors or consultants are measured at fair value at the grant date and expensed with a corresponding increase to contributed surplus over the vesting period.

At the Company's October 7, 2016 Annual General and Special Meeting of Shareholders, shareholders approved the New Stock Option Plan to replace the existing Old Stock Option Plan. The New Stock Option Plan increased the maximum number of common shares that may be reserved for issuance to 10% of the total number of issued and outstanding common shares on the date the stock options are granted.

NAIKUN WIND ENERGY GROUP INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2018 and 2017

	Options Outstanding and Exercisable	Expiry Date	Weighted Average Exercise Price
Balance, September 30, 2016	200,000	5-Feb-2020	\$ 0.135
Issued - October 7, 2016	1,400,000	2-Jan-2021	0.100
Issued - October 7, 2016	450,000	6-Oct-2026	0.100
Forfeited	(100,000)	2-Jan-2021	0.100
Balance, September 30, 2017	1,950,000		\$ 0.103
Issued - December 5, 2017	1,400,000	1-Nov-2027	0.095
Balance, September 30, 2018	3,350,000		\$ 0.100

Stock options granted during the year ending September 30, 2018 were issued at an exercise price of \$0.095 with an expiry date of November 1, 2027. All stock options granted during the year ended September 30, 2018 vested 50% at time of issue and 50% in 180 days. Stock options granted during the year ended September 30, 2017 were issued at an exercise price of \$0.10 with 1,400,000 options having an expiry date of January 2, 2021 and 450,000 options having an expiry date of October 6, 2026. Stock options granted during the year ended September 30, 2017 vested 25% at time of issue and 25% per quarter thereafter.

Compensation costs attributable to stock options granted to employees, directors, and consultants are measured at fair value at the grant date, using the Black-Scholes formula, and are expensed with a corresponding increase to contributed surplus over the vesting period. The inputs used in the measurement of the fair values at grant date were as follows.

	2018 Employees/Directors 1,400,000 stock options	2017 Employees 450,000 stock options	2017 Consultants 1,400,000 stock options
Fair Value at grant date	\$0.071	\$0.076	\$0.05
Share price at grant date	\$0.095	\$0.09	\$0.09
Exercise price	\$0.095	\$0.10	\$0.10
Expected volatility (weighted-average)	71.0%	71.1%	71.9%
Expected life in years	9.91	9.75	4.89
Risk-free interest rate	0.76%	0.76%	0.76%

During the year ended September 30, 2018, share compensation expense associated with stock options was \$99,558 and was recorded in compensation expense. During the year ended September 30, 2017, share based compensation expense associated with stock options was \$99,502 with \$69,952 recorded in public and community relations for consultants and \$29,550 recorded in compensation expense.

c) Warrants

As of September 30, 2018 and 2017 the Company has the following common share purchase warrants outstanding:

Issue date	Warrants outstanding	Exercise price	Expiry date
July 14, 2014	7,500,000	\$0.10	July 14, 2019
September 7, 2016	4,539,035	\$0.15	September 7, 2019

NAIKUN WIND ENERGY GROUP INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2018 and 2017

7. Income Tax Expense

- a) A reconciliation of income taxes at statutory rates to actual income taxes is as follow:

	September 30, 2018	September 30, 2017
Income (loss) before income taxes	\$ (846,864)	\$ (882,091)
Statutory rate	26.67%	26.00%
Expected income tax expense (recovery)	(225,858)	(229,344)
Reconciliation of effective tax rate:		
Change in statutory tax rates	(137,778)	(405,017)
Permanent differences	37,930	35,833
Change in unrecognized tax benefits	327,267	604,767
Other	(1,561)	(6,239)
Income tax expense	\$ -	\$ -

- b) Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	September 30, 2018	September 30, 2017
Non-capital losses and resource deductions	\$ 39,920,000	\$ 39,574,000
Other deductible temporary differences	1,315,000	956,000
	<u>\$ 41,235,000</u>	<u>\$ 40,530,000</u>

- c) As at September 30, 2018, the Company has non-capital losses carried forward for Canadian tax purposes totaling approximately \$38,631,000, (2017 - \$38,285,000) for which nil have been recognized as deferred tax assets. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income in relevant jurisdictions. The gross amount of tax losses carried forward expire as follows:

Expiry date	\$
2026	146,000
2027	1,216,000
2028	8,449,000
2029	6,608,000
2030	5,532,000
2031	2,400,000
2032	1,651,000
2033	1,517,000
2034	1,519,000
2035	8,437,000
2036	238,000
2037	572,000
2038	346,000
	<u>\$ 38,631,000</u>

- d) As at September 30, 2018, the Company had deductible temporary differences related to investments in subsidiaries of \$3,958,000 (2017 - \$3,958,000) that have not been recognized because the Company controls the timing of the reversal of the temporary differences and it is uncertain as to whether taxable profit will be available against which the temporary differences can be utilized.

NAIKUN WIND ENERGY GROUP INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2018 and 2017

8. Related Party Transactions

Key management compensation to the Chief Executive Officer ("CEO"), Chief Financial Officer, and the Board of Directors for the years ending September 30, 2018 and 2017 are as follows:

	2018	2017
Wages and benefits	\$453,769	\$457,640
Share-based compensation	140,651	65,698
	<u>\$594,420</u>	<u>\$523,338</u>

During the year ended September 30, 2018 the Company issued 483,872 common shares (2017 - 459,817 common shares) with a fair value of \$41,093 (2017 - \$36,148) to directors as their annual compensation. On December 5, 2017, 1,400,000 stock options (2017 - 450,000) with a fair value of \$99,558 (2017 - \$29,550) were issued to officers and directors and were recorded in compensation expense.

As at September 30, 2018 \$10,781 (2017 - \$8,750) in directors remuneration was accrued in accounts payable and accrued liabilities and was subsequently paid by issuance of common shares of the Company (note 14).

As at September 30, 2018 \$605,000 (2017 - \$385,000) was payable to the Company's CEO and included in current liabilities (note 10).

9. Commitments

The Company has signed a number of agreements in principle with various First Nations to partner on the operations and maintenance of the generation and transmission assets of the NaiKun Wind Project. These agreements and commitments are contingent on a number of project milestones, the most significant being an EPA award and arrangement of project financing.

In September 2017 NaiKun Wind reached a non-binding agreement with Orsted Energy ("Orsted"), previously DE Wind Power U.S.LLC ("DONG Energy"), to exclusively negotiate the terms of a Joint Development Agreement ("JDA") to define how the NaiKun Wind Project will be developed and the future collaboration, financial and partnership frameworks between the parties. In connection with the agreement, Orsted contributed to the Company a monthly fee of \$35,000 from September 2017 through May 2018 which has been recorded in other income. Under the agreement either the Company or Orsted could, at any time after January 1, 2018, terminate the letter agreement by providing the other party written notice. Subsequent to September 30, 2018, the Company's relationship with Orsted was terminated as discussed in note 14.

10. Contingent Liabilities

The Company's deferred compensation plan ("Deferred Plan") was designed to attract and retain qualified personnel while conserving cash during the Company's development stage. The Deferred Plan deferred payment of the majority of the Company's salary expenses prior to 2009 until financial close associated with the NaiKun Wind Project, as defined within the Deferred Plan agreement. Amounts allocated to the Deferred Plan have not been accrued due to the uncertainty of the occurrence of the triggering events for payment, being financial close. As at September 30, 2018, the remaining unpaid, unaccrued balance in the Deferred Plan amounted to approximately \$4.2 million (2017 - \$4.2 million).

To preserve cash the Company entered into agreements with several consultants to defer all or a portion of their retainer, fees, or compensation, the payment of which is triggered by a future Success Event. "Success Event" is defined as the point in time at which an agreement has been announced to undertake the first phase of the NaiKun wind farm, to develop the project(s) on some deferred timeframe, or to sell all or part of the Company assets. The agreement to proceed, to develop, or to sell assets may be undertaken by an arms-length third party acceptable to the board of NaiKun that may or may not be partially owned by NaiKun. In order for the deferred retainers and fees to become payable, the Success Event must provide NaiKun shareholders with a significant increase in share value and further, this event must provide NaiKun with sufficient liquidity to pay the outstanding amounts due. The accumulated amounts have not been accrued due to the uncertainty of the occurrence of a future Success Event. As at September 30, 2018, the remaining unpaid, unaccrued balance of these deferred retainer and fee amounts for consultants is \$650,350 (2017 - \$563,150).

The Company also entered into an agreement with its CEO to defer \$220,000 per annum of his compensation. As at September 30, 2018, the total accumulated accrued amount of this deferral, which commenced January 1, 2016, is \$605,000 (2017 - \$385,000). In addition, a matching amount is contingently payable and triggered by a future Success Event. This contingent portion has not been accrued due to the uncertainty of the occurrence of a future Success Event.

NAIKUN WIND ENERGY GROUP INC.
Notes to the Consolidated Financial Statements
For the years ended September 30, 2018 and 2017

11. Financial Risk Management and Fair Values

The Company's exposure to risk on its financial instruments arises primarily from its cash and cash equivalents and its investments in marketable securities holdings. The Company's intent is to minimize and manage these risks through the following:

Interest Rate Risk	The Company maintains an investment policy where all cash deposits and short term investments must be convertible to cash within three months. Given the Company's cash balance, the Company's exposure to interest rate risk is not significant.
Currency Rate Risk	Most of the Company's expenditures are currently in Canadian dollars and to minimize currency rate risk, it maintains its cash and cash equivalents in Canadian dollar denominated accounts. The Company does engage suppliers in the US and Europe, but the terms of those engagements are short thereby minimizing the Company's exposure to fluctuations in foreign exchange rates. Therefore, the Company's exposure to currency risk is not significant.
Credit Risk	The Company's credit risk arises from its cash and cash equivalents, amounts receivable and deposits. The carrying amount of these assets represents the Company's maximum exposure to credit risk. The Company manages its credit risk by restricting its deposits to Government of Canada treasury notes or short term instruments guaranteed by a Canadian chartered bank. Holdings with banks are limited to \$5 million with any one bank. The Company has not incurred any credit losses during the years ended September 30, 2018 and 2017.
Liquidity Risk	The Company manages liquidity risk by continually monitoring actual and projected cash flows and by ensuring that all cash and cash equivalents are convertible to cash with less than 3 months notice. All of the Company's accounts payable and accrued liabilities are potentially due within 1 year (see Note 2(a)).
Equity Price Risk	The Company is exposed to equity price risk as it holds marketable Canadian securities as investments (see note 13) that are classified as fair value through profit or loss. A 10% decrease in the value of the underlying securities would result in a loss of approximately \$12,000 based on the investment value at September 30, 2018.

The fair value of the Company's cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, and deferred compensation payable approximate their carrying amounts due to the short-term maturities and/or ability for prompt liquidation of these instruments. The carrying value of the Company's investment in Canadian marketable securities is based on the quoted market price of the related shares in a publicly traded company, which is considered Level 1 of the fair value hierarchy.

12. Capital Management

The Company's capital management objectives are to safeguard its assets and maintain investor, creditor and market confidence in order to sustain ongoing development activities in the wind energy sector. The Company's capital management objectives have not changed from September 30, 2017. The Company includes all shareholders' equity balances as capital.

The Company currently has no debt and is not subject to externally imposed capital restrictions. To complete the development of its wind project, the Company intends to raise additional capital when necessary by either selling portions of its project(s), issuing additional equity and/or borrowing funds (see note 2(a)).

13. Investment

During the year ended September 30, 2016, the Company sold its interest in 14 crown grant mineral claims to Barkerville Gold Mines Ltd. ("Barkerville"), in exchange for \$300,000 cash and 300,000 common shares of Barkerville resulting in a gain on sale of assets of \$513,000. The common shares are recorded at fair value through profit and loss. As at September 30, 2018 the market value of this investment had decreased from the value at September 30, 2017 and accordingly the Company recorded a revaluation loss of \$141,000 during the year ended September 30, 2018. During the year ended September 30, 2017 the Company recorded revaluation gain of \$43,000.

14. Subsequent Events

Subsequent to September 30, 2018, the Company issued 126,839 common shares, at a fair value of \$0.085 per common share, and 134,766 common shares at a fair value of \$0.08 per common share to directors as full payment of their remuneration. These share issuances cover remuneration for the period of July 1, 2018 to September 30, 2018, and October 1, 2018 to December 31, 2018 respectively, and the value ascribed to the shares was based on the Company's stock price on September 30, 2018 and December 31, 2018 respectively.

Subsequent to September 30, 2018 the partnership negotiations with Orsted Energy were mutually terminated.

Subsequent to September 30, 2018, to provide near term funding of the Company's activities, the Company sold its common shares in Barkerville for \$111,687, and entered into a loan agreement dated January 24, 2019 with one of the Company's directors ("Lender") to provide financing of \$300,000. The terms of the loan include an interest rate of 8% per annum and a maturity date of July 31, 2019. Concurrently with entering into the loan agreement, the Company and the Lender entered into a general security agreement pursuant to which the Company grants the Lender a general security interest in all of the Company's present and after-acquired property and a floating charge over all present and future land, interests in land, and real property as security for the loan indebtedness. In connection with the loan, the Company will issue the Lender 3,000,000 non-transferrable warrants to purchase common shares in the capital of the Company at an exercise price of \$0.10 per common share which will vest immediately and be exercisable for one year from the date of issuance.

Subsequent to September 30, 2018 the Company concluded an agreement with Enmax Generation Portfolio Inc. ("ENMAX") to terminate the Asset Purchase Option Agreement between ENMAX, the Company, and the Company's affiliates. Additionally, for the amount of \$1.00, the Company purchased the common shares that ENMAX held in Genco, thereby giving the Company 100% ownership of Genco.

NAIKUN WIND ENERGY GROUP INC.

(A Development Stage Company)

Management's Discussion & Analysis

For the year ended September 30, 2018

Containing information up to and including January 24, 2019

This Management's Discussion and Analysis ("MD&A") reviews the activities of NaiKun Wind Energy Group Inc., (the "Company" or "NaiKun") and its material subsidiaries; the wholly owned NaiKun Wind Development Inc. ("Devco"), and 50% owned NaiKun Wind Generating Inc. ("Genco"). For a more complete understanding of the Company's financial condition and results of operations, this MD&A should be read together with the Company's audited consolidated financial statements for the years ended September 30, 2018 and 2017 and the accompanying notes, and the MD&A for the year ended September 30, 2017. The above-mentioned documents along with additional information and disclosure relating to the Company can be found on SEDAR at www.sedar.com or on the Company's website, www.naikun.ca.

Forward-Looking Information and Report Date

This MD&A contains certain forward-looking information. Investors are cautioned that all information, other than historical facts included herein, including without limitation, data regarding future plans and objectives of the Company, is forward-looking information based on management's expectations, assumptions and estimates. Although the Company believes these underlying estimates and assumptions to be reasonable, they are difficult to predict, and actual results may differ materially from those in the forward-looking statements.

Forward-looking information can be subject to significant risks and uncertainties, and estimates and assumptions can prove to be inaccurate. There are many factors that could result in materially different outcomes than the forward-looking information contained herein including, but not limited to, the state of capital and financial markets, the general economy, the political climate, the commodity markets, foreign exchange fluctuations, the energy sector, electricity demand, technology, environmental factors, community relations and First Nations. Investors should be aware that there can be no assurance that forward-looking information will prove to be accurate and future events and actual results could differ materially from those anticipated.

The information herein is only provided as of the date of this MD&A, January 24, 2019 (the "Report Date").

Description and Overview of Business

NaiKun Wind Energy Group Inc. is a British Columbia ("BC") based renewable energy company with a current focus on an offshore wind energy project. Headquartered in Vancouver, it is a Tier 2 listed company that trades on the TSX Venture Exchange (TSX-V:NKW). It is developing a 400 MW offshore wind project in the Haida Energy Field which is located in Hecate Strait off the north coast of British Columbia (the "NaiKun Wind Project" or the "Project"). NaiKun was a registered proponent in the Clean Power Call RFP (the "CPC") issued by British Columbia Hydro and Power Authority ("BC Hydro") on June 11, 2008. On March 31, 2010, BC Hydro advised NaiKun Wind that its proposal to build and operate the Project was no longer under consideration for a contract award in

the Clean Power Call. The Company is exploring how it can advance the first phase of the project and how the Haida Energy Field can fit into the New Provincial government's clean energy plans.

NaiKun Wind Project

The Company is currently renewing the investigative use license ("IUP") from the Government of British Columbia which provides the Company with the ability to develop wind energy projects in a 550 km² area off the north-east coast of Haida Gwaii in British Columbia's Hecate Strait. The proposed site for the first phase is less than 100 km² area within the permit area. The IUP also includes two transmission corridors that would connect the NaiKun Wind Project to Haida Gwaii and the mainland power grid, and includes the license of occupancy for the Company's Met Mast.

The area's wind resource is the best in British Columbia and among the best in the world. This is due to the strong, consistent and high wind speeds, with mean annual wind speeds exceeding 10.0 meters/second (rated as a Class 7 resource). The wind is the strongest and most consistent in the fall and winter when electricity demand is the highest. Other characteristics that make Hecate Strait an ideal location for offshore wind projects include its flat sedimentary seabed, relatively shallow waters, access to BC Hydro's power grid, and its proximity to the potential for increasing electricity demand in Northwest British Columbia.

The energy potential of the area is well more than 2,000 megawatts ("MW"), enough to power more than 900,000 homes. If an Energy Purchase Agreement (EPA) is acquired, the Project would take approximately three years for finalization of supplier agreements, financial close on debt and equity, and construction.

The development schedules for subsequent phases are also subject to environmental and other approvals, First Nations engagement, and other factors.

In March 2011, NaiKun received a Federal screening decision from the Canadian Environmental Assessment Agency (CEAA). The decision concluded the harmonized environmental assessment review process and confirmed that the Project, which could be Canada's first offshore wind energy project, can be constructed with no significant adverse environmental, social or health effects. Responsible federal agencies are now authorized to issue the required construction and operating permits, including a Navigable Water Protection Act Approval and Fisheries Act Authorization. This Federal approval is in addition to the Environmental Assessment Certificate issued by the Government of British Columbia in December 2009. The Provincial Environmental Assessment Certificate was extended on December 9, 2014 for a five-year period, expiring in December 2019. The Council of the Haida Nation commissioned an independent evaluation of the NaiKun Wind Energy Project and in August 2011 released the resulting report authored by Dr. Thomas I. Gunton and Chris T. Joseph. This report referenced the extensive environmental reviews undertaken by the federal and provincial governments as well as by Rescan. The report concluded that with the implementation of specified mitigation measures, the Project is unlikely to have any significant adverse environmental risks. NaiKun's phase 1 Project, and prospective subsequent phases, has the potential to provide B.C with a significant and scalable resource that is complementary to the aims and objectives of the Government in British Columbia.

NaiKun continues to work with First Nations, Northern Communities, BC Hydro, the Government of British Columbia, and the Government of Canada to move the Project forward.

Outlook

The significant wind energy resource in Northwest BC's Hecate Strait provides an opportunity to supply renewable energy for the increasing requirements in the Province of BC, Alberta and the western USA. When the Company was unsuccessful in the 2010 Clean Power Call it was determined that the best interest of the shareholders would be served by continuing to advance the wind project, reducing the day to day costs of operating the Company, and continuing to look for partnerships and business opportunities in the renewable energy field. The Company's efforts since that time have seen substantial refinement and development of the project that are associated with the remarkable improvements in offshore wind technology, associated lower costs, and expansion of the industry from a European base with a relatively small number of competitors to a low-cost world-wide industry that continues to see technology improvements and lower costs. The generation costs per megawatt and the energy production of offshore wind have significantly improved over the past few years. Electricity prices in Europe, based on recent projects, are now in the low €60/MW range. In November 2017, a project was awarded to a large utility in Europe which had an initial price of US\$ 53/MW with the long-term price projected at US\$ 40/MW. More recently the 800 MW offshore wind project in Massachusetts was awarded to Vineyard Wind LLC and included electricity pricing of US\$ 65/MW. These prices make offshore competitive with any long-term energy prices and costs will continue to drop with the advent of larger and more efficient turbines and other improvements in the industry. The significant projections for offshore wind development in Asia demonstrate the speed of the world-wide development of offshore wind. Research from global natural resources consultancy Wood Mackenzie indicates Asia-Pacific's offshore wind capacity will rise 20-fold to 43 GW by 2027. Wood Mackenzie project that East Asia needs around US\$37 billion in investments to meet the mammoth growth in offshore wind capacity over the next five years. The development of a strong supply chain from Asia will further reduce the costs of offshore wind in BC.

At the same time as the industry has progressed to a low-cost world-wide energy developer, the profile of the Naikun project has changed from a local project in British Columbia to a well-known world ranked wind resource.

BC Government Climate Action Plans and Renewable Energy "Road Map"

In the summer of 2017, the NDP party with the support of the BC Green Party formed government in BC. Both parties are strongly committed to a low carbon economy, a renewable energy future for BC, and significant advances in the Province's Climate Change Strategy; all of which bode well for NaiKun's strong, affordable wind resource.

The Haida Energy Field is a remarkable utility scale world-class wind resource that is permitted and can be developed in a brief time frame to meet the power needs in BC, Alberta and the western USA.

Haida Gwaii is the largest land mass in British Columbia that is not connected to the BC Hydro grid. Six communities on Haida Gwaii represent 10% of the communities that are still on diesel generation. The development of the Haida Energy Field would include a transmission line that would connect Haida Gwaii with the mainland BC Hydro grid. This would effectively bring cost-effective, reliable, green power to Haida Gwaii which would in turn facilitate a vibrant on-island renewable energy economy that could augment the forestry, fishery and cultural initiatives on Haida Gwaii.

The recent BC Government policy announcements (CLEAN BC) make it clear that to achieve the Paris Accord Climate Action objectives and provinces GHG targets, BC must electrify most energy consuming uses and also must convert most carbon-based fuel current users to electricity. Couple these aggressive policy commitments with the likelihood that British Columbia will not build another new Hydro Dam or large Gas generation facility, it is clear that future energy supply must come from utility scale renewable resources like Naikun's wind project.

Northwest BC is a Unique Region supplied by a single HVAC Transmission Line

The Naikun Wind resource is located in the northwest region of BC, a unique part of the province serviced by one 600km long HVAC transmission line with a finite capacity. Additional electrical power for this part of the province must be provided locally or via a new multi-billion dollar transmission line that would take up to a decade to approve and complete. Providing electrical power locally is the most practical and cost-effective alternative for the fast growing commercial and industrial demand in the region. Projects under development such as LNG Canada (Phase 1 and 2), Kitimat LNG, and Cedar LNG would provide over 1000MW of new electrical demand in the region that can be best served with local renewable energy; projects like Naikun's. The Naikun wind project is the only large scale permitted project in the region that can meet the demand for power when these industrial projects are scheduled to come on stream.

Orsted Energy Partnership

In October 2018 the partnership negotiations with Orsted Energy were mutually terminated and other parties have been engaged in discussions to partner with NaiKun in the development of the wind resource. To quote the joint press release of October 15, 2018 ...

"Michael O'Connor, CEO of NaiKun, "We would like to thank Orsted for assisting us in continuing to develop the project over the last 12 months and wish them well with their future endeavors. NaiKun is in current discussions with interested alternate partners who are familiar with the wind resource and the development that NaiKun has progressed over the past many years, including the accomplishments of the last year. With the industrial development on the North Coast of British Columbia, and the growing demand and support for Renewable Energy, there are compelling reasons for the project to proceed to the development stage ..."

New Partnership Engagement

When the Orsted agreement was terminated Naikun engaged numerous parties in discussions to partner in the development of the permitted first phase. These discussions are currently ongoing with the expectation of a final selection of a partner in the first quarter of calendar 2019.

Risks and Uncertainties

The Company's future and growth is dependent on a number of risk factors common to other companies in the renewable energy sector and, wind energy companies. Some factors that may have a material impact on the Company's future include, but are not limited to:

Electricity Purchase Agreement ("EPA")

A significant milestone and risk factor for the Company is an award of an EPA from BC Hydro or a similar purchaser of electricity. The Company continues to advance the Project, demonstrating how the Haida Energy Field will meet the Provincial Governments' clean energy plans (Clean BC). NaiKun is optimistic about the proposed plans of the Provincial and Federal Governments to proceed with a significant renewable energy program in the near future. Given the scale, cost, and availability (permitted) of the resource and a potential new partnership in the spring of 2019, the Company is optimistic the first phase, of the NaiKun wind project can become part of these programs in the near future.

However, the Company cannot predict when or if the Project will proceed, or if an EPA will be awarded.

Capital Resources

Due to the delay in receiving an EPA for the Project, the Company has substantially reduced its activity level and cash expenditures. Subsequent to the year ended September 30, 2018, to provide near term funding, the Company sold its shares in Barkerville Gold Mine for \$111,687 and entered into a loan agreement dated January 24, 2019 with one of the Company's directors to provide financing of \$300,000. With the current resources and with the anticipated participation of a new partner in early 2019 the Company expects to be adequately financed in the near future.

Prior to executing an EPA, the Company will need to raise additional equity at the Project level and likely at the Company level to fund contributions for equipment deposits and Project security. The availability and possible dilutive effect of additional equity will be subject to market conditions at the time of any equity financing.

Project Financing

The availability and cost of project equity and debt are beyond the Company's control and subject to market conditions at the time the NaiKun Wind Project advances to the construction stage.

Contracting Parties

The Company's current and future contractual arrangements with various parties (e.g., consultants, suppliers, First Nations, strategic partners, management, etc.) for the development, construction and operation of the Project are another risk factor. The Company's and other parties' ability to fulfill obligations can have a material impact on future success. The Company would include technical and financial capacity and credit-worthiness assessments in its contracting strategies. The Company would also need to either sell the Project in part or full, or enter into an agreement with a strategic partner in order to fund future contractual

arrangements. The Company may not be able to sell a portion at a reasonable price nor to secure an appropriate partnership.

Wind Resource and Weather

Long-term historical wind data obtained from Environment Canada at or around the site for the NaiKun Wind Project, along with data received from the Met Mast, indicate this is a world-class, affordable wind resource. However, wind speeds may vary over time and may or may not continue at the historical trend due to changes in weather patterns. The 20 plus years of correlated data indicate the resource may be growing stronger over time, however, this is not assured. During construction, the weather and marine environment at the Project site can cause scheduling delays resulting in cost overruns or a delay in the operation start date. Where possible, the Company would incorporate their extensive experience to manage this risk.

Financial Summary

The following summarizes selected financial information for the years ended September 30, 2018, 2017, and 2016.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Loss and comprehensive loss	\$846,864	\$882,091	\$460,917
Loss per common share	<u>\$0.01</u>	<u>\$0.01</u>	<u>\$0.01</u>

The following summarizes the total assets and total liabilities as at September 30, 2018, 2017, and 2016.

	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Total Assets	\$581,696	\$1,074,438	\$1,599,847
Total Liabilities	\$1,086,422	\$872,951	\$651,919

The loss and the decrease in total assets during the year ended September 30, 2018 is primarily due to the Company's expenditures on the Project and administration, all of which were expensed in the period incurred.

Summary of Quarterly Results

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters. For more detail information, refer to the consolidated financial statements for the applicable periods.

Quarter ended	Revenues - \$	Project, general and administrative expenses - \$	Net loss - \$	Basic and diluted loss per share - \$
30-Sep-18	Nil	217,656	236,924	0.00
30-Jun-18	Nil	246,942	225,965	0.00
31-Mar-18	Nil	241,441	174,844	0.00
31-Dec-17	Nil	281,876	209,131	0.00
30-Sep-17	Nil	228,915	186,250	0.00
30-Jun-17	Nil	223,634	150,605	0.00
31-Mar-17	Nil	257,630	206,342	0.00
31-Dec-16	Nil	256,653	338,894	0.00

The level of expenditures and loss varies from period to period depending on the level of activity related to the development of the NaiKun Wind Project. During the quarter ended March 31, 2016 there were significant reductions in management compensation and the directors cash compensation was eliminated effective October 1, 2015, with all of these reductions remaining in place through September 30, 2018. The Company has also negotiated deferred compensation for the CEO and certain of the consultants who are working to help advance the Project. Expenses by quarter, through the two year reporting period, are consistent and as planned. Of the loss in the quarter ending December 31, 2016, \$77,000 is the result of the write-down to the market value of the common shares which were a component of the non-wind assets sold in September 30, 2016. In quarters ending March 31, 2017 and June 30, 2017 there was an increase in the market value of these common shares resulting in unrealized gains of \$50,000 and \$72,000 respectively. In quarters ending September 30, 2017, December 31, 2017, March 31, 2018, June 30, 2018, and September 30, 2018 fair value adjustments were recorded of \$3,000, \$33,000, \$39,000, \$49,500, and \$19,500 respectively resulting in unrealized losses. Of the expenses recorded in the quarters ending December 31, 2016 through September 30, 2018, \$55,000 per quarter relate to the accrual of the deferred portion of the CEO's annual compensation. These accrual amounts do not represent a draw on cash but rather a deferred payable.

Results of Operations

The Company reported a loss of \$846,864 for the year ended September 30, 2018 compared with a loss of \$882,091 for the same period last year. Cash used in operations for the year ended September 30, 2018 was \$322,596 compared to \$599,888 for the year ended September 30, 2017.

Project, general and administrative expenses ("PG&A") for the year ended September 30, 2018 totaled \$987,915 (2017 - \$966,832) of which \$171,878 (2017 - \$207,480) related to public and community relations, \$44,534 (2017 - \$48,030) related to professional fees, \$123,443 (2017 - \$135,364) for office and administrative expenses and \$53,640 (2017 - \$52,620) related to travel. Compensation expense for the year ended September 30, 2018, which is also included in PG&A, amounted to \$594,420 (2017 - \$523,338). In total, PG&A expenses remain consistent with the prior year, with higher public and community relations and travel costs arising from work done to profile the project to governments and potential strategic partners.

During the year ended September 30, 2018, the Company recorded investment income of \$2,051 (2017 - \$4,741), an unrealized fair value loss on financial instruments of \$141,000 (2017 - gain of \$45,000), and received \$280,000 (2017 - \$35,000) of other income under an agreement with Orsted Energy.

Liquidity

As at September 30, 2018, the Company had \$0.1 million in cash and cash equivalents compared to \$0.4 million as at September 30, 2017. Working capital, being current assets less current liabilities, as at September 30, 2018 was \$(0.50) million vs. \$0.25 million as at September 30, 2017. The decrease in cash and cash equivalents and working capital during the year ended September 30, 2018 is the result of expenditures related to the advancement of the NaiKun Wind Project and the ongoing overhead and administration to maintain the Company incurred during the year ended September 30, 2018.

During the quarter ended March 31, 2014 the Company made a deposit with Natural Resources Canada (NRC) as part of the Met Mast license renewal. This deposit is held by NRC to ensure the retirement obligation is fulfilled when the Met Mast is decommissioned.

Subsequent to September 30, 2018, to provide near term funding of the Company's activities, the Company sold its common shares in Barkerville for \$111,687 and entered into a loan agreement dated January 24, 2019 with one of the Company's directors to provide financing of \$300,000. In October 2018, the partnership negotiations with Orsted were mutually terminated and other parties were engaged in discussions to partner with NaiKun in the development of the wind project. These discussions are currently ongoing with the expectations of a final selection of a partner in the first quarter of calendar 2019.

The Company believes it will still be some time before there is clarity on the development plans for the northwest region of BC, and until those plans are understood there is uncertainty as to the future demand for electricity and the role that the NaiKun Wind Project could play in meeting that demand.

The Company's ability to continue as a going concern is dependent on its ability to obtain additional financing or an investment by a strategic partner in order to meet its planned business objectives and be able to advance the Project. The Company will need to raise funds through grants, strategic collaborations, public or private equity, debt financing, or other funding sources. The funding may not be available on acceptable terms, or at all, and may be dilutive to shareholder interests. If the Company is unable to generate positive cash flows or obtain adequate financing, the Company would need to curtail operations.

Capital Resources

During the year ended September 30, 2018, the Company issued 483,872 common shares at a fair value of \$0.085 per common share to directors as full payment of their remuneration. As at September 30, 2018 the Company had 64,919,469 common shares issued and outstanding. Subsequent to September 30, 2018, the Company issued 126,839 shares at a fair value of \$0.085 per common share and 134,766 shares at a fair value of \$0.08 per common share to directors as full payment of their remuneration. These subsequent issuances covered compensation for the period of July 1, 2018 to September 30, 2018, and October 1, 2018 to December 31, 2018 and the value ascribed to the shares was based on the Company's stock price on September 30, 2018 and December 31, 2018 respectively. As at the date of this MD&A, the Company had 65,181,074 common shares issued and outstanding.

As at September 30, 2018, and as at the date of this MD&A, the Company had the following options and warrants outstanding:

Description	Exercise Price	Expiry Date	Number Outstanding
Stock Options	\$0.135	February 5, 2020	200,000
Stock Options	\$0.10	January 2, 2021	1,300,000
Stock Options	\$0.10	October 6, 2026	450,000
Stock Options	\$0.095	November 1, 2027	1,400,000
Warrants	\$0.10	July 14, 2019	7,500,000
Warrants	\$0.15	September 6, 2019	4,539,035

As of the date of this MD&A, the Company had 3,350,000 stock options, and 12,039,035 warrants outstanding.

Commitments

The Company has signed a number of agreements in principle with various First Nations to partner on the operations and maintenance of the generation and transmission assets of the NaiKun Wind Project. These agreements and commitments are contingent on a number of Project milestones, the most significant being an EPA and arrangement of Project financing.

In September 2017 NaiKun reached a non-binding agreement with Orsted Energy ("Orsted"), previously DE Wind Power U.S. LLC ("DONG Energy") to exclusively negotiate the terms of a Joint Development Agreement ("JDA") to define how the NaiKun wind project will be developed and the future collaboration, financial and partnership frameworks between the parties. In connection with the agreement, Orsted agreed to contribute to the Company a monthly fee of \$35,000 from September 1, 2017 to the earlier of a date that a JDA is signed or June 1, 2018. Either the Company or Orsted could have, at any time after January 1, 2018, terminated the letter agreement by providing the other party written notice. In October 2018, the partnership negotiations with Orsted were mutually terminated and other parties were engaged in discussions to partner with NaiKun in the development of the wind resource. These discussions are currently ongoing with the expectations of a final selection of a partner in the first quarter of calendar 2019.

Subsequent to September 30, 2018, the Company concluded an agreement with Enmax Generation Portfolio Inc. ("ENMAX") to terminate the Asset Purchase Option Agreement between ENMAX, the Company, and the Company's affiliates. Additionally, for the amount of \$1.00, the Company purchased the common shares that ENMAX held in Genco, thereby giving the Company 100% ownership of Genco.

Contingent Liabilities

The Company's Deferred Plan was designed to attract and retain qualified personnel while conserving cash during the Company's development stages. The Deferred Plan deferred payment of the majority of the Company's salary expenses prior to 2009 until financial close associated with the NaiKun Wind Project as defined within the Deferred Plan agreement. Amounts allocated to the Deferred Plan have not been accrued due to the uncertainty of the occurrence of the triggering event for payment, that being financial close.

As at September 30, 2018, the remaining unpaid, unaccrued balance in the Deferred Plan amounted to approximately \$4.2 million.

To preserve cash, the Company entered into agreements with several consultants and the CEO to defer all or a portion of their retainer, fees, or compensation; the payment of which is triggered by a

future Success Event. "Success Event" is defined as the point in time at which an agreement has been announced to undertake the first phase of the NaiKun wind farm, to develop the project(s) on some deferred timeframe or to sell all or part of the Company assets. The agreement to proceed, to develop, or to sell assets may be undertaken by an arms-length third party acceptable to the board of NaiKun that may or may not be partially owned by NaiKun. In order for the deferred retainers and fees to become payable, the Success Event must provide NaiKun shareholders with a significant increase in share value and further, this event must provide NaiKun with sufficient liquidity to pay the outstanding amounts due. The accumulated amounts have not been accrued due to the uncertainty of the occurrence of a future Success Event.

The Company also entered into an agreement with its CEO to defer \$220,000 per annum of his compensation. As at September 30, 2018, the total accumulated accrued amount of this deferral, which commenced January 1, 2016, is \$605,000 (2017 - \$385,000). In addition, a matching amount is contingently payable and triggered by a future Success Event. This portion has not been accrued due to the uncertainty of the occurrence of a future Success Event.

As at September 30, 2018, the remaining unpaid, unaccrued balance of these deferred retainer and fee amounts for consultants is \$650,350 (2017 – \$563,150) and for CEO compensation, the amount is \$605,000 (2017 – \$385,000).

Related Party Transactions

Key management compensation to the Chief Executive Officer, Chief Financial Officer, and the Board of Directors for the year ending September 30, 2018 are as follows:

	2018	2017
Wages and benefits	\$ 453,769	\$ 457,640
Share-based	140,651	65,698
	<u>\$ 594,420</u>	<u>\$ 523,338</u>

During the year ended September 30, 2018 the Company issued 483,872 common shares (2017 – 459,817 common shares) with a fair value of \$41,093 (2017 - \$36,148) to directors as their annual compensation. On December 5, 2017, 1,400,000 stock options with a fair value of \$99,558 were issued to officers and directors and were expensed to compensation expense.

As at September 30, 2018 \$10,781 (2017 - \$8,750) in directors' remuneration was accrued in accounts payable and accrued liabilities and was subsequently paid by issuance of common shares of the Company.

As at September 30, 2018 \$605,000 (2017 – \$385,000) was payable to the Company's CEO and included in deferred compensation payable.

Internal Controls and Procedures over Financial Reporting

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR")

are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

TSX Venture listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109. In particular, the certifying officers (the Chief Executive Officer and Chief Financial Officer) do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Approval

The board of directors of the Company has approved the disclosure contained in this MD&A.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com under *NaiKun Wind Energy Group Inc.* or at www.naikun.ca.
Dated January 24, 2019